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Hon. C. P. McTague

Canada. Royal commission on transportation
Hearings. V. 29-31. 1960.

1961



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Winnipeg, Manitoba,
Monday,
February 8, 1960.

ROYAL COMMISSION ON TRANSPORTATION

---The Commission resumed at 10.00 a.m.

Proceedings of hearings held in the
Legislative Buildings, Winnipeg,
Manitoba, on the 8th day of February,
1960

THE SECRETARY: Mr. Chairman, and Commissioners

COMMISSION

1959 Mr. M. A. MacPherson, Q.C. Chairman His
Excel Mr. H. Anscomb Member
Mr. A. H. Balch, therefore, Member commendation
Mr. R. Gobeil advise that Member
Mr. H. A. Mann, Victoria Member
Mr. A. Platt, Balch, Ottawa Member

Re: Gobeil, Quebec

COMMISSION COUNSEL

Mr. A. G. Cooper, Q.C.

Mr. G. S. Cumming

Arnold Platt, Lethbridge
Mr. H. W. Ellicott Adviser

be appointed Commissioners under Part I of the Inquiries
Act to inquire into and report upon the problems relating
to railway transportation in Canada and the causes there-
of, Mr. F. W. Anderson Secretary

with Major N. Lafrance Assistant Secretary

the Commission shall consider and report upon:

(a) Inquiries in the freight rate structure,

their incidence upon the various regions of

Canada and the legislative and other changes

that can and should be made, in furtherance



Winnipeg, Manitoba,
Monday,
February 8, 1960.

---The Commission resumed at 10.00 a.m.

THE CHAIRMAN: All right, gentlemen, we will come to order, please. I will ask the Secretary to read the Terms of Reference, please.

THE SECRETARY: Mr. Chairman, and Commissioners, I read from a true copy of Privy Council Order No. P.C. 1959-577 of the 13th of May, 1959, approved by His Excellency the Governor General.

The Committee, therefore, on the recommendation of the Prime Minister, advise that

Herbert Anscomb, Victoria

Archibald H. Balch, Ottawa

Rene Gobeil, Quebec

M. A. MacPherson, Sr., Regina

Howard Mann, Moncton

Honourable Charles P. McTague, Toronto

Arnold Platt, Lethbridge

be appointed Commissioners under Part I of the Inquiries Act to inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof, and to recommend solutions thereto, and in particular, without restricting the generality of the foregoing, the Commission shall consider and report upon:

- (a) inequities in the freight rate structure, their incidence upon the various regions of Canada and the legislative and other changes that can and should be made, in furtherance

THE
OFFICE OF THE
SECRETARY OF THE
NAVY

WASHINGTON, D. C.

DEPARTMENT OF THE NAVY

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- 1 of national economic policy, to remove or
2 alleviate such inequities;
3 (b) the obligations and limitations imposed
4 upon railways by law for reasons of public
5 policy, and what can and should be done to
6 ensure a more equitable distribution of
7 any burden which may be found to result there-
8 from;
9 (c) the possibilities of achieving more economical
10 and efficient railway transportation;
11 (d) whether, and to what extent, the Railway Act
12 should specify what assets and earnings of
13 railway companies in businesses and invest-
14 ments other than railways should be taken
15 into account in establishing freight rates;
16 and
17 (e) such other related matters as the Commissioners
18 consider pertinent or relevant to the specific
19 or general scope of the inquiry.

20 The Committee further advise:

- 21 1. That the scope of this Commission shall not
22 extend to the performance of functions which
23 under the Railway Act are within the exclusive
24 jurisdiction of the Board of Transport Com-
25 missioners;
26 2. That the Commissioners be authorized to
27 exercise all the powers conferred upon them
28 by Section 11 of the Inquiries Act, and be
29 assisted to the fullest extent by government
30



1 departments and agencies;

2 3, That the Commissioners adopt such prodedure
3 and methods as they may from time to time
4 deem expedient for the proper conduct of
5 the inquiry and sit at such times and at
6 such places in Canada as they may decide
7 from time to time;

8 4. That the Commissioners be authorized to
9 engage the services of such counsel, staff
10 and technical advisers as they may require
11 at rates of remuneration and reimbursement
12 approved by the Treasury Board;

13 5. That the Commissioners report to the Governor
14 in Council with all reasonable despatch; and

15 6. That the Honourable Charles P. McTague be
16 Chairman of the Commission.

17 R. B. Bryce,

18 Clerk of the Privy Council.

19
20 I also, Mr. Chairman, read an excerpt
21 from Privy Council Order 1959-1628:

22 The Committee of the Privy Council have
23 had before them a report from the Prime Minister sub-
24 mitting that the Honourable Charles P. McTague has,
25 by reason of ill health, asked to be relieved of the
26 responsibilities placed on him as member and chairman
27 of the Royal Commission on Transportation to which he
28 was appointed by Order in Council P.C. 1959-577 of
29 13th May, 1959.

30 The Committee accordingly advise that Mr.



1 McTague's resignation as a member and chairman of the
2 said Commission be accepted and that Murdoch Alexander
3 MacPherson, Esquire, Q.C., a member of the Commission,
4 be Chairman thereof.

5 (sgd) R. B. Bryce,
6 Clerk of the Privy Council.

7
8 THE CHAIRMAN: Now, gentlemen, I wish to
9 present to you the members of the Commission.

10 On the left is Mr. Balch, who is from the
11 City of Ottawa and who all his life has been in the
12 trade union movement.

13 Next is Dr. Gobeil from the City of Quebec,
14 who is not a medical doctor or a dentist, but a Ph.D.
15 from McGill University.

16 Next is my friend Mr. Anscomb who for seven
17 years was Minister of Finance in the Province of British
18 Columbia.

19 Then, we have the baby of the Commission Mr.
20 Mann, who comes from Moncton, New Brunswick, and who
21 is Secretary of the Transportation Commission there,
22 but who was educated at and is a graduate of the
23 University of Toronto.

24 Next is Mr. Platt, who comes from Lethbridge,
25 Alberta, who is a Master of Science from the University
26 of Alberta and who last year was one of the negotiators
27 at Geneva for the International Wheat Agreement.

28 Now, I come myself from the Province of
29 Saskatchewan and have lived for a great many years more
30 than I want to say in the City of Regina.



1 Now, gentlemen, we are required under the
2 Terms of the Order in Council, part of which has been
3 read by the Secretary, to make a comprehensive and
4 careful inquiry with all reasonable despatch into
5 problems relating to railway transportation; that is to
6 say, in the Order in Council the word that is used is in
7 the plural. It is not one problem but all problems
8 that are required for us to consider.

9 Now, this is the seventh province to which we
10 have come, and we find that there are problems relating
11 to rail transportation in all of the provinces. We
12 will not be surprised if we find the same problems here.
13 As a matter of fact, Mr. Mauro, on behalf of this pro-
14 vince, has very fervently but very gently indicated
15 that that is the case, and a perusal of the briefs that
16 we have received would indicate that.

17 While on the question of briefs, we have tried,
18 in the interests of everybody, to have briefs in in
19 ample time, and, generally, that has been observed.
20 There are exceptions, and we will deal with them as they
21 arise, but I hope there will be no question in that
22 regard.

23 Now, I just want to say that there are all those
24 problems, and we do not appear before you as supermen.
25 We are just men of good will, and we are addressing
26 our energies and our judgment, such as the Lord has
27 given us, in the interests of this country, to proceed
28 and do what is best. We start with the assumption
29 that it is in the interest of Canada that there be an
30



1 efficient rail transportation and rail service in
2 Canada. Canada needs that, and, consequently, we
3 are considering all those problems in the light of that.

4 Now, are there any fresh appearances that
5 have not been made on the record so far?

6 I may say to those who are here that our
7 Secretary is also Director of Research, and we have, we
8 think, a very find research team working. We are deal-
9 ing with problems, not only those that have presented
10 themselves to us in open hearing, but with problems
11 that have occurred to ourselves as well, and we have as
12 advisers of that research work a very excellent man, we
13 think, in Dr. Currie of the University of Toronto, whom
14 we regard as one of the best versed transportation men
15 in Canada.

16 Now, I would like to present, also, the
17 counsel of the Commission, Mr. Cooper, from the City of
18 Halifax.

19 Now, are there any new appearances to be
20 made here? If not, Mr. Mauro, it's your show.

21 MR. MAURO: Thank you, Mr. Chairman. I
22 would like to call on the Honourable C. D. Roblin,
23 Premier of the Province of Manitoba.
24
25
26
27
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29
30



HONOURABLE DUFF ROBLIN, called

MR. ROBLIN: Mr. Chairman and Commissioners, it is a privilege for me, on behalf of the Government of the Province of Manitoba, to make the first presentation to you as your Commission begins its public hearings in Western Canada. May I extend to you a sincere welcome to our province and to its capital city of Winnipeg and to Western Canada. In the province of Manitoba, situated as we are in the very heart of Canada and of the North American continent, we fully recognize the magnitude of the investigation you have undertaken. We recognize your responsibility in the very important matters which have been referred to you. We welcome your appointment as a Commission and we appreciate the fact that men of your wide experience and your integrity are devoting their abilities toward the solution of matters of great public concern to all Canadians.

We in the Province of Manitoba also have a responsibility in this fundamental field of transportation as it affects the agricultural and industrial development of our province. The Government of Manitoba therefore welcomes the opportunity to make submissions to your Commission.

It is our intention to make a full submission at a later date at the hearings that will be held in Ottawa on all matters of concern to the Government and to our people in the range of subjects within your terms of reference. At the present time I should like



1 to outline for you, as a preliminary submission, the
2 position of the Government of the Province of Manitoba
3 on what we regard to be some of the more important
4 matters within the scope of your inquiry. We make this
5 preliminary submission in order to acquaint the Com-
6 mission with our views on some of the matters which we
7 propose to include in our substantive submission. Our
8 position on these matters as well as our representations
9 on other related subjects will be placed before you in
10 greater detail at a later date in Ottawa.

11
12 DIRECT EXAMINATION BY MR. MAURO:

13 Q. Mr. Premier, the Province of Manitoba
14 was one of the provinces that appealed the most recent
15 freight rate increase in 1958. You, personally, sir,
16 were before the Council on that occasion, and I wonder
17 if you might briefly review those facts by way of
18 introduction to the present hearing?

19 A. Yes, I can do so.

20 In September, 1958, the Canadian railways
21 applied to the Board of Transport Commissioners for an
22 interim increase of 19 per cent in the general level of
23 freight rates and 25 cents per ton on coal and coke
24 to yield an amount calculated to meet the estimated
25 costs of increased wages to the non-operating railway
26 employees which were pending as the result of negotiations
27 with the unions and the recommendations of a Concilia-
28 tion Board. The Board, after hearings in October,
29 allowed a horizontal increase of 17% plus 22 cents per
30



1 ton on coal and coke by order effective December 1, 1958.
2 All the provinces, except Ontario and Quebec, immediately
3 appealed this decision to the Governor in Council, re-
4 questing that the increase be rescinded or suspended.

5 It was the submission of the provinces to the
6 Governor in Council that there must be a halt to the
7 present method of granting freight increases by means
8 of horizontal percentage increases. They indicated that
9 since 1948 freight rates had been increased by a cumula-
10 tive total of 157 per cent and that with each increase
11 there was a further attrition and erosion in the traffic
12 moved by rail with the result that in the hearings of
13 October, 1958, it was admitted by the railways that about
14 75 per cent of the proposed increase would be extracted
15 from 32 per cent of the traffic. It was further sub-
16 mitted that the major part of this ever-shinking 32 per
17 cent was traffic from or destined to the Western Region
18 and the Maritime Region; those areas not having the
19 extensive road systems of the Central Provinces nor
20 the benefits of a highly developed water route. These
21 regions represent the so-called "captive traffic" for
22 rail transportation, and it was those same regions which
23 have been constantly compelled to compensate the railways
24 for any deficiencies in revenues.



In the case of the C.P.R. the "yardstick railway" for rate-making, the provinces stated that the estimated revenue requirements of \$31,547,000 would be met as follows.

And here, Mr. Chairman, you will find a table which I think is a good one.

THE CHAIRMAN: That will be taken into the record.

THE WITNESS: Thank you.

<u>Type of Traffic</u>	<i>CPR</i> Percentage of Total Traffic Revenue		Percentage of Proposed Increase
Grain and Grain Products at Statutory and Related Rates	9.38		n11
International, Overhead, Import-Export and Other Related Rates	29.62		n11
Coal and Coke	4.0		4.52
Competitive Rates	12.32		17.67
Agreed Charges (where escalator clauses provide for application of increases)	11.75		1.75
All Other Freight Traffic (class and non-competitive commodity)	(32.03)		73.53
Miscellaneous Traffic Subject to Freight Rates Increases	.90		2.53
Total	100.00		100.00

Grain and grain products moving at statutory rates were exempt from any increase but the provinces pointed out that these rates were established under a specific agreement ratified by a statute of Parliament. The Provinces' chief concern was with that body of



1 "all other freight traffic" and the inequitable burden
2 that would be borne by that traffic as the result of
3 the proposed increase.

4 The provinces further submitted that general
5 freight rate increases by means of the horizontal per-
6 centage method had and would continue to have a detri-
7 mental effect on the economic growth and development of
8 the Western and Maritime Regions. If long established
9 national policy for regional economic development and
10 expansion was not to be frustrated, a critical re-
11 appraisal of Canada's transportation system and its
12 problems was imperative.

13 Q. What was the decision of the Governor
14 in Council on that appeal?

15 A. The Governor in Council dismissed the
16 appeal and allowed the Board's Order to become effective
17 on December 1, 1958. However, in announcing the
18 Government's decision on November 26, the Acting Prime
19 Minister, the Honourable Howard C. Green, stated that
20 the increase was not in accord with the Government's
21 long range plans. As a result of the plea of the eight
22 provinces for a complete revision of the freight rate
23 structure, the Government established a Cabinet Com-
24 mittee to report on a plan to ease the impact of the
25 latest increase on specific areas and undertook to
26 appoint a committee of experts to undertake a long-range
27 study of the distortions in the freight rate structure
28 which had arisen as a result of the postwar horizontal
29 rate increases.
30



1 The Acting Prime Minister said, in part:

2 "It is, however, recognized by the government
3 that there are serious inequities in the present
4 freight rate structure which have both contri-
5 buted to, and been aggravated by, the system of
6 horizontal rate increases. The government has
7 already indicated its intention to move towards
8 a solution of these problems.

9 "A study is being undertaken at once to work
10 out measures to relieve against inequities in the
11 freight rate structure including any that may be
12 aggravated by the present increases. Steps are
13 also being taken to set up a suitable body to
14 review the general field of railway problems and
15 policy. This study will include not only a
16 comprehensive consideration of the railway freight
17 rate problem -- including the situation of the
18 long haul provinces in the west and in the
19 Atlantic region -- but also other specific pro-
20 blems which require solution if Canada's railways
21 are to serve the national interest without pre-
22 judicing particular industries or areas."

23 Q. Mr. Premier, was there any other action
24 taken by the Governor in Council with reference to this
25 17% increase?

26 A. In 1959 Parliament enacted Bill C-38 whose
27 purpose was to alleviate in part the burden imposed by the
28 17% increase on the long-haul traffic. In presenting
29 the resolution to the House of Commons on March 24, 1959,
30



1 the Honourable George Hees Minister of Transport said
2 in part:

3 "As an interim measure designed to
4 alleviate the burden of the authorized increase
5 in rates (17%), the proposed legislation pro-
6 vides for a subsidy of \$20 million over a
7 12-month period, to be paid to the companies
8 . . . as reimbursement for such reductions in
9 rates as they may be directed to make pursuant
10 to this legislation . . .

11 "The government has decided that the most
12 effective relief is to be afforded by confining
13 the subsidy to a reduction in the non-competitive
14 class and commodity rates . . . These rates . . .
15 are the ones which have taken the full per-
16 centage increases authorized by the Board over
17 many years.

18 "This manner of alleviation concentrates
19 the benefits on the long haul traffic where rates
20 have not been kept down by competition" . . .

21 "As honourable members know, the government
22 has indicated its intention of proceeding with
23 a comprehensive inquiry into these matters
24 affecting the railways" . . .

25 Q. Now, Mr. Premier, subsequently by Order
26 in Council P.C. 1959-577 this present Royal Commission
27 was created on May 13, 1959. The Terms of Reference
28 read in part as follows:

29 "The Committee of the Privy Council have
30



1 had before them a report from the Right Honourable
2 John G. Diefenbaker, the Prime Minister, stating
3 that it is in the national interest that a com-
4 prehensive and careful inquiry be made . . .
5 into problems relating to railway transportation
6 in Canada and the possibility of removing or
7 alleviating inequities in the freight rates
8 structure.

9 Clause (a) of the Commission's specific terms
10 of reference states that the Commission shall consider
11 and report upon:

12 "(a) (1) Inequities in the freight rate structure,
13 (2) their incidence upon the various regions of
14 Canada and the legislative and other changes that
15 can and should be made, in furtherance of national
16 economic policy, to remove or alleviate such
17 inequities."

18 Under Clause (b) of the terms of reference,
19 the Commission is to consider and report upon:

20 "(b) The obligations and limitations imposed
21 upon railways by law for reasons of public policy,
22 and what can and should be done to ensure a more
23 equitable distribution of any burden which may be
24 found to result therefrom."

25 My question, Mr. Premier, is what, in the
26 opinion of the Province of Manitoba, is the dominant
27 theme of the Terms of Reference?

28 A. It will be noted that the consistent
29 theme throughout the statements by the provinces in their
30



1 appeal to the Governor in Council in November, 1958, and
2 the terms of reference of this Commission is "national
3 economic policy". It is clear that the governing phrases
4 of the terms of reference establishing this body are
5 "national economic policy" and "public policy" and that
6 these phrases, for this purpose, are synonymous. It
7 is the respectful submission of the Government of
8 Manitoba that the first matter which requires definition
9 before this Commission is "national economic policy".

10 We believe that it is essential as a condition precedent,
11 that this Commission first determine what has been and
12 what is "national economic policy" in Canada. Having
13 determined this factor in the terms of reference, the
14 Commission can then properly consider the role of
15 transportation in relation to "national economic policy"
16 and make recommendations conforming to that policy.

17 Q. What definition does the Province of
18 Manitoba give to this phrase "national economic policy"?

19 A. "National economic policy" in Canada has
20 evolved since Confederation to meet the needs of the
21 nation under changing circumstances. A definition of
22 "national economic policy" is not to be found in any
23 one statute. It can be determined, however, by
24 reference to the pronouncements and statements of the
25 federal government and our successive Prime Ministers
26 since 1867. While it would be presumptive to offer
27 a single statement in definition of "national economic
28 policy", we submit that it might be summarized generally
29 as a policy or plan, or preferably as a series of
30 policies or plans, the object of which was to secure



1 the development of Canada for all Canadians. National
2 economic policy has been concerned with national develop-
3 ment, with the utilization of our resources with a view
4 to improving the standard of living of all Canadians
5 regardless of geographic location. This definition
6 stresses the development of Canada for all Canadians;
7 it emphasizes the utilization of our natural and human
8 resources to improve the well-being of all Canadians
9 in all regions of the country.

10 It is the submission of the Province of Manitoba
11 that in its fullest application "national economic
12 policy" in Canada since 1867 has aimed consistently at
13 fostering and promoting the development of the various
14 regions of Canada for the benefit of the entire nation.
15 It has never been the intention that one area of the
16 country should be preferred at the expense of another
17 area.

18 This policy is clearly illustrated by reference
19 to the construction and operation of Canada's railways
20 and the historic role which they have played in the
21 furtherance of "national economic policy".

22 Q. I wonder if you might trace briefly the
23 role of transportation in the furtherance of this
24 national economic policy?

25 A. The geographic nature of the country it-
26 self is such that transportation, of necessity, must
27 play a major role in the economic growth of Canada.
28 We submit that a cursory glance at the historical be-
29 ginnings of the nation corroborates this statement.
30 Firstly, there was the construction of the Intercolonial



1 Railway which was one of the conditions for the entrance
2 of the Provinces of Nova Scotia and New Brunswick into
3 Confederation with the central provinces. Subsequently,
4 the construction of the Canadian Pacific Railway as
5 an east-west transcontinental rail link was one of the
6 undertakings of the federal government for the entrance
7 of the Province of British Columbia into Confederation.
8 Further, there were the commitments with regard to
9 transportation for the admission of Prince Edward
10 Island into the Union, and more recently, in 1949, the
11 undertakings regarding transportation facilities with
12 the mainland to our newest province, Newfoundland.
13 This brief outline, we suggest, indicates that the
14 transportation policies of the federal government have
15 played a vital part in the actual emergence of Canada
16 as a nation.

17 In addition to a general policy covering the
18 nation at large, there have also been specific policies
19 to assist the various regions of Canada in their economic
20 development. We would point to the construction,
21 operation and maintenance by the federal government
22 of the extensive system of toll-free canals in
23 central Canada. It has been estimated that the cost
24 to the federal treasury of the construction of these
25 waterways totals \$328 millions. The Crows Nest Pass
26 rates are another example of federal government assis-
27 tance to shippers; in this instance the government
28 entered into an agreement with the Canadian Pacific
29 Railway and spent federal moneys for the assistance
30 of the movement of grain from Western Canada to export



1 points. For the Maritime Provinces the Maritime Freight
2 Rates Act is designed to assist the movement of com-
3 modities from the Maritime region to central Canada and
4 also to assist in the movement of commodities within
5 the Maritime region itself. This Act, originally
6 adopted in 1927 and subsequently amended provided
7 initially for a reduction of 20 per cent (later 30
8 per cent) in the Maritime portion of westbound rates
9 and of 20 per cent in rates on traffic moving within
10 the designated "select area" of the Maritime Provinces.
11 There was the recent extension of the operation of this
12 Act to the Province of Newfoundland.

13 There also exists the "East-West Bridge Subsidy"
14 of seven million dollars annually for rail transportation
15 provided for in legislation enacted in 1951; this
16 subsidy was designed to assist in alleviating the costs
17 of transporting goods across northern Ontario. More
18 recently, there has been the policy followed by the
19 federal government with respect to equalization of
20 freight rates, the purpose of which was to balance or
21 to equalize the cost of the movement of commodities
22 intra-regionally and inter-regionally in Canada.

23 The magnitude of the federal government's
24 policies with respect to transportation regionally is
25 indicated by the fact that according to the Public
26 Accounts of Canada for the year ending March 31, 1958,
27 the federal government expended in that year the sum
28 of approximately 220 million dollars for the assistance
29 of transportation and transportation facilities in
30



1 Canada. These particulars support our submission that
2 transportation has played and continues to play a vital
3 role in the economic development of this country, and
4 that there has been a consistent national policy to
5 foster this development.

6 MR. MAURO: We have prepared, Mr. Chairman,
7 a brief summary supporting that statement from the
8 Public Accounts, and showing the sum of \$220 million
9 expended by the federal treasury on transportation
10 matters within the Dominion of Canada.

11 THE CHAIRMAN: You want this incorporated?

12 MR. MAURO: Yes.

13 THE CHAIRMAN: Are you filing a statement?

14 MR. MAURO: No, I am not filing a statement.

15 THE CHAIRMAN: All right.

16 THE WITNESS: This is a very interesting
17 tabulation, Mr. Chairman.

18 MR. MAURO: This will be Exhibit No. 94, Mr.
19 Chairman. It is entitled, "Aid to Transportation by
20 the Government of Canada in the year ended March 31,
21 1958."

22
23 ---EXHIBIT NO. 94: Statement showing aid to transpor-
24 tation by the Government of Canada
25 in the year ended March 31, 1958.

26 THE WITNESS: From the viewpoint of the
27 Province of Manitoba, I think this chart would bear
28 analysis to discover just who benefits from the ex-
29 penditures that are tabulated on these sheets. I don't
30 intend to attempt that analysis at the present time, but



1 I feel that it certainly would prove of interest to
2 obtain this.

3 THE CHAIRMAN: We probably will hear a
4 report on it in the Manitoba case.

5 THE WITNESS: Yes, I think that is likely.

6 THE CHAIRMAN: I think Mr. Mauro possibly
7 will have something to say about it.

8 THE WITNESS: If I may proceed, then, Mr.
9 Chairman.

10
11 It has been estimated that for 1960 the
12 cost to the users of so-called for-hire intercity transport
13 in Canada, including railways, motor vehicles, airlines,
14 water carriers and pipelines will be as great as 7.85
15 per cent of the gross national product. This represents
16 a cost of approximately 2,049 million dollars. It is
17 the equivalent of 1.09 times the estimated net general
18 expenditure for all provincial governments in Canada,
19 for the year ending March 31, 1960. It is an amount
20 that is equal to approximately 50 per cent of the
21 estimated expenditure of the Dominion Government for the
22 year ending March 31, 1960. It is equal in amount to
23 29.4 per cent of the net general expenditure for all
24 governments -- Dominion, Provincial and Municipal -- for
25 the year ended nearest to December 31, 1958.

26 Comparative figures for transportation costs
27 in relation to Gross National Product for Canada, the
28 U.S. and the United Kingdom for the year 1953 (the last
29 available year) show that the for-hire intercity
30 transportation costs amounted to 7.9 per cent in Canada,



1 6.5 per cent in the United Kingdom and 5.1 per cent of
2 Gross National Product in the U.S.

3 An estimate of the transportation bill for
4 the Prairie Provinces, using 1958 population figures and
5 based on per capita figures of the estimated cost of
6 for-hire intercity transportation in Canada as a whole
7 amounts to approximately \$356.5 million for 1960. This
8 amount is equivalent to 3.2 times the estimated net
9 general expenditure for the Province of Manitoba for
10 the year ending March 31, 1960.

11 MR. MAURO: Q. Mr. Premier, you have
12 attempted to define "national economic policy" and you
13 have indicated to the Commission the role of trans-
14 portation in the realization of that national policy.

15 I would now like to draw your attention to
16 the interrogatory aspect of Clause (a) in the Terms of
17 Reference, namely, what are the inequities in the
18 present freight rate structure which militates against
19 the furtherance of national economic policy?

20 A. Well, in the first place, we would point
21 to the inequity resulting from the present practice of
22 the Board of Transport Commissioners in awarding rate
23 increases by way of horizontal percentage increases.
24 This is not a new or recent problem. The inequity
25 resulting from such practices had existed prior to the
26 hearings of the Turgeon Commission and the matter was
27 discussed at great length before that Commission in
28 1949 and 1950. The problem as set out by the
29 Turgeon Commission appears in the Commission's report
30



1 dated February 9, 1951, and we would refer you to pages
2 45 to 47 of the report.

3 The Commission on page 51 of the report
4 summarized the complaints about the horizontal increase
5 method as follows:

6 "That the application of rate increases by the
7 horizontal increase method:

- 8 1. Disturbs existing "relationships";
9 2. Accentuates existing disparities;
10 3. Aggravates the disadvantage already suffered
11 by long haul shippers;
12 4. Destroys existing "differentials";
13 5. Assumes that all traffic can bear the
14 same percentage increase when this is not
15 the case; and
16 6. Worsens the competitive position of manu-
17 facturers subject to long haul, especially
18 when they have to bring materials in for
19 fabrication."
20

21 The Turgeon Commission's principal conclusions
22 and recommendations on the problem are to be
23 found on pages 61-62 of the report.

24 "Conclusions:

- 25 1. Applications for uniform horizontal increases
26 to all freight tolls assume that all freight
27 can, under all conditions, bear an equal
28 burden of increase. This is an incorrect
29 assumption.
30 2. Horizontal increases, although preserving rate



relationships percentagewise, disturb them
in cents per 100 pounds (or other unit) in so
far as shippers and consignees are concerned,
and this is of much importance to them.

3. Horizontal increases aggravate the disadvantage already suffered by long haul shippers and consignees."



1 "Recommendations

2 "No legislative amendment dealing with
3 horizontal increases is recommended. The
4 Railway Act in its present form gives to the
5 Board ample power to deal with matters of this
6 kind.

7 "In all future increase cases it is to be
8 hoped that the Board and the railways will pay
9 due regard to the considerations referred to
10 in this section."

11 Q. Mr. Premier, from your knowledge, were
12 the recommendations of the Turgeon Commission re
13 horizontal increases implemented?

14 A. I am afraid not. In the light of
15 such unambiguous recommendations by the Turgeon Com-
16 mission the Provinces might properly have expected some
17 relief from this serious burden, but in the rate cases
18 immediately following publication of the report, the
19 Board of Transport Commissioners continued to follow
20 their past policies in this regard. The continued
21 concern of the provinces was voiced in their appeal to
22 the Governor in Council in 1953.

23 "On July 4, 1951, in its first judgment
24 following the publication of the Royal Commission
25 Report, the Board postponed implementation
26 of the recommendations of the Royal Commission
27 in this regard. In its next Judgment, dated
28 January 25, 1952, the Board disposed of the
29 matter by suggesting that shippers should place
30



1 their grievances first before the railway con-
2 cerned and later if they think fit, make an
3 application to the Board'. The Board, while
4 adopting the views of the Royal Commission at
5 page 62 of its Report with regard to the sudden
6 shock to the economy caused by large horizontal
7 increases, contented itself with saying that the
8 increases imposed by the Judgment were small."

9 (Submissions to His Excellency the Governor General
10 in Council in re Freight Rates -- 7% Case by the
11 Petitioners, Ottawa, May 1, 1953, p. 28).
12

13 Q. Has the position taken by the Province of
14 Manitoba before the Turgeon Commission changed since
15 1949?

16 A. We think that the difficulties created by
17 horizontal increases as presented to the Turgeon Com-
18 mission in 1949 are still valid. In fact the problems
19 resulting from horizontal percentage increases have
20 worsened since that date. Since 1950 there have been
21 7 applications for general rate increases -- all but one
22 by way of horizontal percentage increases -- resulting
23 in a total increase of 77 per cent.

24 The dollar per ton distortion since the
25 findings of the Turgeon Commission are even more startling.
26 Permit me to direct your attention to a few comparative
27 rates for both East to West and East to East movements
28 in 1949 and 1958 as shown in Schedule "A".
29
30



1 In short the situation which the Turgeon
2 Commission in 1949 found to be inequitable and harmful
3 to the economic well being of the nation, has since
4 that date become intolerable, and it is our considered
5 opinion that this situation has tended to frustrate
6 national economic policy.

7 The past ten years have clearly illustrated
8 that no relief in this respect can be expected from
9 either the railways, or the Board of Transport Com-
10 missioners, and that some safeguards must be instituted
11 either by way of statutory limitations or legislative
12 direction if the present situation is to be altered.

13 Q. You have described the first factor
14 which you contend is, in fact, an inequity in the
15 present rate structure, namely, horizontal percentage
16 increases. What is the next matter you wish to refer
17 to the Commission?

18 A. I would now like to deal with trans-
19 continental rates. Transcontinental rates are com-
20 petitive rates but unlike most other competitive rates
21 their application is limited from or to a large area
22 in eastern Canada and to or from the port area surround-
23 ing the Pacific coast ports.

24 What began as a carrier competitive solution
25 has now turned out to be a market or product competitive
26 device. Rates on transportation of products from the
27 eastern region to Vancouver and from Vancouver to
28 Eastern Canada are now granted by the railways with the
29 purpose of permitting those products to compete in the
30



1 particular area. The denial of similar rates from
2 intermediate points -- which should reflect the shorter
3 haul -- has the effect of allowing the railways to
4 determine which area will be permitted to compete in a
5 certain market. This situation is particularly im-
6 portant at this time when the economy of the Prairie
7 Provinces, and Manitoba in particular, is becoming
8 more diversified with a marked increase in manufacturing
9 capacity and potential. Materials must be brought into
10 the area, processed and reshipped to the eastern or
11 western markets. Rate relationships under the present
12 policy become distorted, and, we submit, should be
13 adjusted if the various regions in Canada are to have
14 an equal opportunity to develop.

15
16 By way of illustration I would refer to a
17 comparison of transcontinental rates on certain com-
18 modities from Winnipeg and points in Eastern Canada to
19 Vancouver (Schedule "B") and from Winnipeg and
20 Vancouver to Toronto (Schedule "C").

21 If I may take the opportunity of doing so,
22 Mr. Chairman, there are just one or two points
23 illustrated here that I may refer to to underline
24 what we are trying to say. Take, for example, on
25 Schedule "C": that schedule shows the shipment of
26 goods from Vancouver to Eastern Canada and from Winnipeg
27 to Eastern Canada, and I am going to take a couple of
28 natural products -- although this applies with equal
29 force to the manufactured ones -- but we, in this
30 province, are considerable producers of fish. We have



1 one of the largest and most important fresh water
2 fisheries in the world in this province, and yet, on
3 the first item in Schedule "C" the rates per 100 pounds
4 from British Columbia to Eastern Canada is \$3. The
5 rate from Winnipeg to Eastern Canada is \$4.09, in
6 spite of the fact the distance is 1,465 miles shorter.
7

8 Take the last item on this little chart,
9 dealing with canned goods: we have developed a very
10 promising industry in the canning of vegetables here in
11 the province of Manitoba, and yet, in shipping 100 pounds
12 of vegetables from British Columbia to Eastern Canada,
13 the price is \$2, and shipping the same weight of the
14 same commodity from Winnipeg, the price is \$2.03 in
15 spite of the fact that the distance is 1,465 miles less.

16 The same sort of thing is illustrated by the
17 first of the schedules in respect of other commodities,
18 and underlines the difficulties which intermediate points
19 such as Winnipeg and Manitoba are placed in in attempting
20 to compete with those who are situated hundreds of
21 miles further from the market.
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23
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1 MR. MAURO: Q. Mr. Premier, you have now
2 described two practices which, in the opinion of the
3 Province of Manitoba, result in inequality in various
4 regions: you have referred to horizontal percentage
5 increases and transcontinental rates and their present
6 application. Have you any comment on the present method
7 of regulation of water rates?

8 A. We regard that as a very important matter
9 as well. At the time of the execution of the Crow's Nest
10 Pass Agreement in September, 1897, there was included
11 as one of the terms of that agreement paragraph 9 which
12 reads as follows:

13 "So soon as the said railway is opened for
14 traffic to Kootenay Lake, the local rates and
15 tolls on the railway and on any other railway
16 used in connection therewith and now or here-
17 after owned or leased by or operated on account
18 of the Company south of the Company's main line
19 in British Columbia as well as the rates and
20 tolls between any point on any such line or lines
21 of railway and any point on the main line of the
22 Company throughout Canada, or any other railway
23 owned or leased by or operated on account of the
24 Company, including its lines of steamers in
25 British Columbia shall be first approved by
26 the Governor in Council or by a Railway Commis-
27 sion, if and when such Commission is established
28 by law, and shall at all times thereafter and
29 from time to time be subject to revision and
30



1 control in the manner aforesaid."

2 As one of the conditions of the Crow's Nest
3 Agreement, the Canadian Pacific Railway therefore
4 agreed to submit to control of a Railway Commission,
5 particularly with regard to the setting of rates. There
6 can be little question, we submit, that it was a matter of
7 national public policy at that time to have any future
8 rates established by the Canadian Pacific Railway con-
9 trolled by a public body. Such a body, in fact, was
10 created in 1903 and rates for the movement of commodities
11 both east and west were reviewed by that agency. We
12 suggest that one of the chief purposes if not the chief
13 purpose, for the government requiring this undertaking
14 by the railway was the government's wish to have a more
15 equitable rate structure, or a less discriminatory rate
16 structure, for the movement of commodities, particularly
17 in the western region of Canada. Since 1903 rates in
18 Canada have been under the absolute control of the
19 Board of Railway Commissioners. In dealing with
20 railway applications for general increases, the Board
21 has adopted what is commonly referred to as "the
22 requirements formula" whereby the railway companies
23 apply to the Board from time to time for general rate
24 increases in order that they may be permitted to earn
25 sufficient revenues as established under the said
26 formula. In 1938 the Board became known as the Board
27 of Transport Commissioners and its jurisdiction was
28 extended to the regulation of inland water carriers of
29 package freight.
30



1 This aspect of water transportation is of im-
2 portance, particularly to the economy of the Prairie
3 Provinces and more so to the Province of Manitoba. We
4 are referring to the movement of commodities over the
5 great inland waterway system of the Great Lakes. This
6 is, perhaps a most opportune time to discuss this matter
7 since during the past summer the St. Lawrence Seaway system
8 was officially opened to permit the movement of commodi-
9 ties from the Atlantic up to the heart of the nation to
10 the Lakehead ports of Port Arthur and Fort William.
11 The movement of commodities over the Great Lakes system
12 is, as stated, under the jurisdiction of the Board of
13 Transport Commissioners. In order to increase their
14 rates, the lake carriers must also obtain the approval
15 of the Board of Transport Commissioners, but in the case
16 of these lake carriers a strange and startling procedure
17 in comparison to that governing the movement by rail has
18 been followed by the Board of Transport Commissioners.
19 As mentioned, the railway companies are required by law
20 to come forward and show cause as to why the existing
21 rates on rail freight movements should be increased in
22 order to provide them with a higher level of permissive
23 revenue. The water transportation companies have
24 been permitted in each and every case to raise their
25 rates to maintain a differential level between water
26 rates and rail rates, and the level so resulting has been
27 permitted without any requirement on the part of these
28 water carriers to show cause for the increases. Perhaps
29 the best illustration of the final refinement in this
30



1 procedure by the Board, can be seen with reference to the
2 most recent general rate increase application in 1958.
3 In that case without making an appearance before the
4 Board of Transport Commissioners, the water carriers
5 by the simple medium of sending a telegram to that
6 body were able to raise their rates to maintain the
7 differential level between water rates and rail rates.
8 This is particularly shocking when one realizes that the
9 railway application in that case was based upon increased
10 cost to the railways resulting from a wage award. As
11 a result of increased wage costs to the railways, the
12 procedure adopted by the Board of Transport Commis-
13 sioners resulted in the lake carriers being granted
14 permission to increase their rates by an identical
15 percentage.

16
17 We in Western Canada certainly realize that
18 we cannot expect to have all of the competitive
19 features with respect to the movement of goods that
20 presently exist in the Provinces of Ontario and Quebec,
21 at least not to the same degree, but it is indeed of
22 concern to the Government of the Province of Manitoba
23 to see that one aspect of our geographical location
24 which might be of advantage to us is being minimized
25 by the present practice of the Board of Transport
26 Commissioners.

27 Q. What, in your opinion, has been the
28 result of this policy?

29 A. We think that as a result of the present
30 differential form of pricing the Manitoba shipper is



1 being denied the benefits of this low cost means of
2 transportation for which he is so advantageously located
3 geographically. We suggest that in the case of water
4 transportation, the lake carriers be required to price
5 the movement of commodities in accordance with the cost
6 factors of water transportation.

7 At the time of the construction of the St.
8 Lawrence Seaway it was stated that the Seaway would be
9 of prime importance to national economic development and
10 that the beneficial effects of this great inland waterway
11 would not be limited to a particular region of Canada
12 but would make available to the great heartland of
13 Canada the benefits of ocean and lake transportation.
14 We suggest that unless a clear legislative direction
15 be given to the Board of Transport Commissioners with
16 respect to lake carrier rates, national policy applicable
17 to the carriage of goods by water will be completely
18 frustrated with particularly harmful effects on the
19 economy of Manitoba.

20
21 ---Short recess.

22
23 THE CHAIRMAN: Mr. Premier, it might be of
24 interest to you to know that you referred to the fact
25 that Ontario and Quebec did not take part in the
26 appeal, but I think it is of great satisfaction to this
27 Commission to know that both Ontario and Quebec are
28 making representations to us, and I think for the first
29 time in the history of any Commission or any Board
30 both provinces are meeting with this Commission, and we



1 feel it augurs well for Canadian effort.

2 THE WITNESS: I am delighted to hear that, sir.

3 MR. MAURO: Q. Mr. Premier, you referred
4 to three items which you allege are inequities in the
5 present freight rate structure: is there any other factor
6 which the Province of Manitoba feels has resulted in in-
7 equities in the present rate structure?

8 A. There is another consideration which we
9 describe under the heading of "Voluntarily Depressed
10 Rates": as previously stated the rate-making principle
11 utilized by the Board of Transport Commissioners in
12 fixing permissive levels of freight rates in Canada has
13 been based on the "requirements formula". Under this
14 method the railways come forward and seek permission to
15 raise the general level of freight rates in order to
16 make up a deficiency in their revenue, which deficiency
17 they are required by law to establish before any increase
18 may be granted. This is somewhat different from the
19 practice utilized in the United States, whereby the
20 railways are required not only to establish the need but
21 also to set out the method on the basis of specific commo-
22 dity movements, whereby they will attempt to realize
23 this increased revenue.

24 In Canada when the Canadian railways find that
25 the revenue contributions from the various segments of
26 traffic produce a total which collectively is insuffi-
27 cient to cover operating and overhead costs, the practice
28 has been to apply to the Board of Transport Commissioners
29 for permission to increase all rates to yield sufficient
30



1 additional revenue to meet their requirements. This
2 increase is calculated by raising virtually all rates by
3 a specified percentage. Since the Board of Transport
4 Commissioners have not interested themselves in the
5 manner in which the railways collect these increased
6 revenues, certain rates, first reduced to meet com-
7 petition, were then exempted from the subsequent general
8 increases over a period of years, with the result that
9 today they are unduly depressed in relation to the
10 general rate level.

11 We contend that there exists in the present
12 freight rate structure a number of rates which are in
13 fact unduly depressed, which do not in fact bear their
14 proper share of the fully distributed costs. At pre-
15 sent before this Commission a very intensive study is
16 being made of the railways' claim that the statutory
17 grain rates do not return fully distributed costs. We
18 strongly suggest that there are other rates which are
19 at the same level or lower than the level of the
20 statutory grain rates. We suggest that these rates
21 must be similarly suspect. These suspect rates must
22 be distinguished from the statutory grain rates since
23 they are not the result of any agreement between the
24 Canadian railways and the government or the people of
25 Canada. Moreover, there has been no consideration
26 received by the railways for the implementation of these
27 rates which can only be categorized as voluntarily
28 depressed rates. We suggest that if the freight rate
29 level in Canada is to be truly equitable, that if the
30



1 freight rate level in Canada is to meet its objective of
2 permitting the development of all the regions of Canada,
3 then it should be such that one portion of the economy
4 should not be obliged to contribute a disproportionate
5 share to the overhead or fully distributed costs of the
6 Canadian railways.
7

8 During the preliminary organizational meeting
9 of this Commission in Ottawa on September 18, 1959,
10 counsel for the Province of Manitoba pointed to certain
11 rates, other than the statutory rates on grain, which
12 would appear suspect in terms of average revenue per
13 car mile.

14 We would also draw your attention to the fact
15 that there are other rates on the movement of grain in
16 Canada not covered by the Crow's Nest Pass Agreement which
17 are as low as the statutory grain rates but which have
18 been voluntarily established by the railways.

19 As the Commission is aware, we have requested
20 that the railways be required to provide information to us
21 and to our transportation consultants which would permit
22 us to make a full investigation of particular rates.
23 We have requested this information because it is our
24 submission that in future before general freight rate
25 increases are granted, the Board of Transport Commis-
26 sioners should examine the overall rate structure in
27 order to determine whether or not various commodity
28 movements are in fact making their proper contribution
29 to the railways' fully distributed costs.

30 Q. What has been the effect of these depressed



1 rates on the balance of the freight rate structure, in
2 the opinion of the Province of Manitoba, Mr. Premier?

3 A. As the result of the existence of these
4 unduly depressed rates, the other traffic is required to
5 pay an ever-increasing share of the railways' fully
6 distributed costs.

7 Q. What of the effect of these unduly de-
8 pressed rates in the Province of Manitoba in particular?

9 A. In the case of the Province of Manitoba we
10 feel that the statistics support our contention that we
11 particularly are penalized by the present rate-making
12 policy. We would refer in this connection to Schedule
13 "D". You will note that this schedule shows a comparison
14 of the average freight rate per ton on traffic moving to
15 or from Manitoba points with the average freight rate
16 per ton on the same commodity elsewhere in Canada and the
17 United States.

18 With your permission, sir, I do not propose
19 to read this entire schedule, but I think it may be
20 worth while to point at least to the grand total which
21 appears on page 22.

22 On page 22, at the end of Schedule "D", you
23 will see a grand total which attempts to compare the
24 average freight rate per ton on traffic moving to or
25 from Manitoba points with the average freight rate per
26 ton on the same commodity moving elsewhere in Canada and
27 the United States. In the case of Manitoba it is
28 \$8.32; in the case of Canada, \$6.67; in the case of the
29 United States, \$6.40. So, you will see from that what
30



1 we allege to be a very substantial burden on the
2 shipper of the Province of Manitoba.

3 While these figures have not been adjusted
4 for length of haul we suggest that they do show that
5 the transportation burden bears more heavily on the
6 average citizen of the Province of Manitoba than on the
7 average citizen of Canada or of the United States.

8 Attached to this submission and marked as
9 Schedule "E" is a bar graph showing the level of
10 rates paid on Manitoba traffic compared with Canadian
11 averages. These rates have been adjusted for length of
12 haul. We submit that this is a further illustration of
13 the greater burden on the Manitoba shipper as compared
14 with his fellow citizen in other parts of the country.

15 MR. MAURO: I would like that taken in,
16 Mr. Chairman, but there is one correction: there is an
17 item on the right hand side of the median line. The
18 14th bar reads "plywood", and should read "pulpwood".

19 THE WITNESS: Mr. Chairman, I submit this is
20 a most interesting document. I think, visually, it
21 gives you the story we are trying to say in words. You
22 will see that this chart purports to show the level of
23 rates paid on Manitoba traffic compared with Canadian
24 averages adjusted for length of haul. On the left hand
25 side of the median line you will see those items on which
26 we receive an advantage.

27 THE CHAIRMAN: Mr. Premier, somebody must have
28 been doing some homework.

29 THE WITNESS: I trust so, sir.
30



1 MR. SINCLAIR: So do I.

2 THE WITNESS: It is our earnest hope that
3 we have provided some food for thought for both the
4 members of the Commission and any others who may be
5 interested in our proceedings.

6 I would like to make a couple of observations
7 on this chart, to show the effect on our province here.

8 One of the things we are very earnestly trying
9 to do is open up our northern country. We have on
10 foot a rather ambitious programme to encourage northern
11 development for the purpose of making available the
12 mineral wealth which we know exists there, and also
13 to enable us to make use of a very valuable forest.
14 Looking at this chart you will find in the case of
15 copper and nickel our rates are 120 per cent above
16 the Canadian average. If you look at the case of
17 gypsum, it is 100 per cent above the Canadian average.
18 If you look at items in connection with forest indus-
19 tries, you will find that the same kind of situation
20 exists to a lesser degree. Then, for the ordinary
21 consumer in the province of Manitoba, we find that
22 shipments of lumber, for various types of lumber and
23 lumber products, range from 40 to 45 per cent above
24 the Canadian average; gasoline 12 per cent above the
25 Canadian average; newsprint 80 per cent above the
26 Canadian average, and that is extremely important to
27 us. Food products 25 per cent above the Canadian
28 average, and in the agricultural industry items like
29 fertilizer, 50 per cent above the Canadian average.
30



1 Again, you can go on to manufactured products and iron
2 and steel, which are very important to us here, and
3 which are 65 per cent above the Canadian average, and
4 so on.

5 We submit that this chart gives you in visual
6 form the view of the province in respect of our disabili-
7 ties compared to the rest of Canada when it comes to the
8 question of freight.
9



1 MR. MAURO: Q. Mr. Premier, you have thus far
2 defined national economic policy, the role of transpor-
3 tation in the furtherance of that policy, the principal
4 inequities in the present freight rate structure and
5 their effect on this particular region. I wonder if
6 you could offer any recommendation which, in the opinion
7 of the Province of Manitoba, might either remove or at
8 least tend to alleviate these inequities?
9

10 A. Yes. sir.

11 THE CHAIRMAN: This is probably the most im-
12 portant part of the whole submission. We are interested,
13 of course, in hearing of the problems, but we are par-
14 ticularly interested in hearing any suggested solutions
15 or recommendations. We may not accept them, but we want
16 to hear them, in any event.

17 MR. MAURO: Thank you, sir.

18 THE WITNESS: Thank you, Mr. Chairman. These
19 are being submitted to you in the sincere hope they may
20 prove useful to you in what is certainly a most difficult
21 and complicated problem which you face.

22 We have certain recommendations which are of
23 necessity of a specific short-range nature applicable
24 to the immediate situation. In some of our other
25 recommendations, they are more of a general, long-range
26 nature applicable to the future remedial policy.

27 MR. MAURO: Q. Firstly, would you deal with
28 any recommendations you may have as to horizontal per-
29 centage increases?

30 A. Later in this submission we will make



1 certain recommendations with respect to relieving the
2 financial burdens carried at present by rail shippers.
3 Here we are confining ourselves to the question of
4 future rate increases based on the present requirements
5 formula. There have been numerous alternative methods
6 suggested from time to time in both Canada and the United
7 States with a view to easing the obvious impact of
8 horizontal percentage increases. Various devices are
9 presently utilized by the Interstate Commerce Commission
10 in the United States and on occasion the Board of
11 Transport Commissioners has applied maximums and ex-
12 ceptions on specific commodity movements when applying
13 rate increases. There are certain inherent weaknesses
14 in any alternative plan that attempts to shift rate
15 burdens, but it is our submission that an alternative
16 is feasible which would more equitably distribute the
17 increases required while recognizing the characteristics
18 of particular traffic movements.

19 Our problem in Canada is to establish a rate basis
20 which minimizes the dollar increase on the long haul
21 traffic while at the same time ^{maximizing} minimizing the contri-
22 bution from the short haul traffic. The difficulty
23 lies in finding the point of balance or diminishing
24 returns where the increase results in a greater loss
25 by way of diverted traffic than is realized from the
26 higher rate. We submit that increases applied by
27 way of cents per hundred pounds plus a smaller per-
28 centage increase is one possible scheme which is worthy
29 of study as a compromise formula. The formula would
30



1 allow half the revenue to be realized by assessing
2 a flat cents per 100 pounds increase while the balance
3 would be obtained by a percentage increase. By way
4 of illustration, it has been calculated that the last
5 increase granted by the Board of Transport Commissioners
6 of seventeen per cent would have been, under our pro-
7 posal, one of 3.1 cents per 100 pounds plus 8 per cent.
8 Thus a rate which was 20 cents before the increase
9 became 23 cents under the seventeen per cent horizontal
10 basis. Under the basis proposed here the increase
11 would have been 3.1 cents plus 1.6 cents or 25 cents,
12 disposing of the fractions. On the other hand, a rate
13 of \$2.00 under the seventeen per cent horizontal basis
14 would become \$2.34. Under the formula we are proposing
15 this increase would be 3.1 cents plus 16 cents for a
16 total of \$2.19.

17
18 There are certain modifications in this
19 formula which are necessary, in particular on the low
20 grade commodities moving at low rates. These modifi-
21 cations will be dealt with in detail when our substantive
22 submission is made at Ottawa.

23 Q. The next item which you mentioned in
24 your list of inequities, Mr. Premier, was that of the
25 transcontinental rates: what is the recommendation of
26 the Province on this matter?

27 A. Our submission on transcontinental
28 rates is as follows:

29 Firstly: The railways should not be permitted
30 to select the centres which will be allowed to compete



1 in a given market.

2 Secondly: When a competitive rate is pub-
3 lished from a more distant point, the intermediate
4 point, in this case Manitoba, should be given a rate
5 reflecting its geographical location, that is, its
6 shorter haul from the point of destination in question.
7 When one considers the importance of distance as a
8 factor in rate making and particularly in rate making
9 as reflecting the cost of movement, one must conclude
10 that such a policy as proposed is the only equitable one.
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1 Thirdly: Normal relations between shipping
2 points to a given market should be generally maintained.
3 To illustrate, the rate from Winnipeg to Vancouver, in
4 our opinion, should be lower than the rate from Toronto
5 to Vancouver on the same commodity. Similarly the
6 rate from Winnipeg to Toronto should be lower than the
7 rate from Vancouver to Toronto on a given commodity.
8

9 We will, in our substantive submission in
10 Ottawa, be presenting additional data in considerable
11 detail regarding this matter. At this time we submit
12 that the present policy is clearly inequitable in
13 relation to intermediate points. This inequity was
14 recognized by the Turgeon Royal Commission on
15 Transportation. In relation to national economic
16 policy and the equitable application of that policy,
17 the problem of transcontinental rates requires further
18 examination and re-appraisal.

19 Q. Mr. Premier, have you any proposal to
20 make to this Commission with reference to the regula-
21 tion of water rates?

22 A. I have. As stated above, the present
23 procedure of the Board of Transport Commissioners tends
24 to frustrate national economic policy by permitting
25 the lake carriers to minimize the geographical advantage
26 of the Province of Manitoba. We recommend as follows:

27 Firstly: An amendment to the relevant legisla-
28 tion which would require the water carriers to apply
29 to the Board of Transport Commissioners and to show
30 cause for any proposed increase in water rates and



1 that in such application the rates be established on the
2 financial requirements of the water carriers without
3 reference to rail rates.

4 Secondly: That the through rate on a shipment
5 carried by more than one type of carrier should reflect
6 the relative rate characteristics of each type of carrier
7 to the extent that each has participated in that movement.

8 It is the submission of the Government of
9 Manitoba that if such amendment to the present legisla-
10 tion is made it will have the effect of facilitating the
11 implementation of national economic policy for the develop-
12 ment of this region and will re-establish the natural
13 geographical advantages of the region.

14 Q. The last item which you enumerated as
15 an inequity, Mr. Premier, was that of voluntarily
16 depressed rates. Have you a recommendation to make
17 to this Commission as a possible solution?

18 A. Pursuant to the recommendation of the
19 Turgeon Royal Commission in its report published in
20 1951, the Board of Transport Commissioners has
21 published what has become known as the "Waybill Analysis",
22 which report is based on a one per cent sample of all
23 domestic waybills handled by the Canadian railways.
24 This document has proved to be most valuable for both
25 the railways and shippers in ascertaining various
26 informative data regarding the movement by rail of
27 commodities within Canada.

28 It has now become obvious that additional
29 data are essential if the shippers and the railways are
30



1 to treat future freight rate adjustments in a construc-
2 tive manner. We do not have to emphasize this matter
3 since it has been argued at great length before this
4 Commission. It has been the submission of the Western
5 Provinces that unless a great deal of additional cost
6 data are made available to us by the railways, we cannot
7 adequately perform our function before this Commission.

8 As the Commission is aware, in the United
9 States for a number of years, the railroads have been
10 required by law to provide data to the Interstate Com-
11 merce Commission which permits that body to publish
12 reports commonly referred to as "Rate Scales" and
13 "Burden Studies". These reports enable interested
14 parties to assess their contribution to fully distributed
15 costs and to compare their position with that of other
16 shippers. These studies are of equal value to the
17 regulatory agency in fulfilment of its duty to ensure
18 equitable treatment of all parties.

19 With respect to unduly depressed rates, we
20 suggest that this Commission recommend that a policy
21 similar to that in the United States be instituted in
22 Canada. It has become increasingly apparent in
23 the preparation of this submission that such data are
24 long overdue in Canada. We would recommend, therefore,
25 that the necessary legislative amendment be enacted
26 directing the railways to supply to the Board of
27 Transport Commissioners cost data in sufficient detail
28 to enable the Board to publish annually studies
29 similar to the "Burden Study" and "Rate Scales" study
30



1 of the Interstate Commerce Commission in the United
2 States. We realize that all rates cannot by their very
3 nature carry identical proportions of fully distributed
4 cost but we suggest that the time has now come when a
5 policy should be enunciated whereby a certain minimum
6 contribution to fully distributed cost should be
7 established and that no rates should be permitted to
8 fall below that minimum contribution.
9

10 To the extent that these cost studies which we
11 are proposing demonstrate that there are rates that are
12 below out of pocket cost, we would strongly urge that
13 the railways be required, by order of the Board, to remove
14 the deficits occasioned by these rates from their appli-
15 cations when they apply for rate increases.

16 In recent years a good deal of attention has
17 been devoted to the important problem of railway pricing
18 techniques in the United States, and the United Kingdom,
19 and more recently in Canada. The Province of Manitoba
20 in its full submission in Ottawa will be making specific
21 proposals on this important subject.

22 Q. I would now direct your attention, Mr.
23 Premier, to a consideration of Clause (b) of the
24 Terms of Reference. That clause reads as follows:

25 "The obligations and limitations imposed
26 upon railways by law for reasons of public policy,
27 and what can and should be done to ensure a more
28 equitable distribution of any burden which may
29 be found to result therefrom."

30 Would you describe to the Commission, MR. Premier, the



1 obligations and limitations which in the opinion of the
2 Province of Manitoba have been imposed upon railways by
3 law for reasons of public policy?

4 A. The first of these, of course, will be
5 statutory grain rates. We had not intended to discuss
6 the matter of statutory grain rates because in our opinion
7 statutory grain rates are not a burden. Further, while
8 these rates were ratified by an Act of Parliament and
9 thus established by law, they were nonetheless the
10 result of a bona fide agreement between the Parliament
11 of Canada and the Canadian Pacific Railway. Under
12 this agreement the railway received very valuable con-
13 sideration from the people of Canada. The railways
14 have contended that these rates are the sole inequity
15 and the sole burden in the present freight rate struc-
16 ture. As this Commission has decided to investigate
17 these rates and in fact to date has received considerable
18 evidence on this matter, I shall confine myself to
19 a short statement as to our position on this question.

20 The Government of Manitoba favours retention
21 of the Crow's Nest Pass grain rates and is strongly
22 opposed to any changes in this contract which for so
23 many years has been a bulwark of the agricultural
24 economy of Western Canada. The Government of Manitoba
25 is also strongly opposed to the request of the railways
26 for the payment of a subsidy which would be designated
27 as a subsidy to the western farmer for the movement
28 of grain under these rates. My colleague the Minister
29 of Agriculture in his submission to this Commission will
30



1 explain our position more fully.

2 Our Government will be dealing substantively
3 with this matter as a separate item at the hearings
4 in Ottawa, but we wish to reiterate at this time that
5 we are strongly opposed to the consideration of the
6 question as an item unrelated to the other problems of
7 railway transportation in Canada.

8 It is our considered opinion that "burden" in
9 the context of your terms of reference and "burden" in
10 the context of national economic policy is the total
11 burden carried by the shippers situated in the various
12 regions of this country. In short, it is our opinion
13 that the "burden" that this Commission should be con-
14 sidering is the total cost to the Manitoba shipper on
15 all commodities and not only one particular aspect of
16 his freight bill. We suggest that it is not valid to
17 look simply at one aspect, one single factor in that
18 freight bill, such as the cost to the farmer in Manitoba
19 of moving his grain to export points. We believe that
20 the overall freight bill must be considered and this
21 should include the cost to the Manitoba shipper not only
22 of shipping his commodities to market, but also the costs
23 of bringing in his commodities: his agricultural imple-
24 ments, equipment and supplies and his foodstuffs. All
25 of these transportation costs must be taken into con-
26 sideration in order to determine whether or not the
27 shipper in Manitoba is carrying a disproportionate share
28 of the overall burden related to railway freight traffic.

29 In line with our interpretation of clause (b)
30



1 of the terms of reference of the Commission we are
2 confining ourselves, therefore, to a consideration of
3 those items which we allege are in fact most burden-
4 some to the freight shipper.

5 I want to refer, first, to passenger and
6 related services.

7
8 In their joint submission to this Commission
9 with respect to the grain traffic moving under statutory
10 and related rates, the railways have pointed out that
11 the grain traffic in 1958 represented 32.7 per cent of
12 the total ton miles of intra-Canadian traffic and only
13 10.5 per cent of the total freight revenue. According
14 to our calculations with respect to passenger services,
15 in the case of the Canadian Pacific Railway based on
16 the 1958 Annual Report, while passenger train miles
17 represented 36.7 per cent of total train miles, pas-
18 senger revenue represented only 11.9 per cent of total
19 rail revenue. According to the 1958 Annual Report of
20 the Canadian National Railways, while passenger train
21 miles represented 36.7 per cent of total train miles,
22 passenger revenues represented only 7.2 per cent of
23 total rail revenue. We suggest that, if as the railways
24 allege, the statutory and related rates on grain are
25 imposing an intolerable burden on both the shippers
26 and the railways, then the passenger services are
27 creating an equally intolerable burden on the freight
28 shippers and the railways.

29 The next item that we would draw the Commis-
30 sion's attention to as creating a burden on the freight



1 shipper and the railways is that of commuter services.
2 There can be no doubt as to the facts which indicate
3 that these commuter services do result in substantial
4 losses to the Canadian railways. The recent cases
5 before the Board of Transport Commissioners concerning
6 commutation fares substantially prove that the present
7 rates are not even within reach of returning bare out-of-
8 pocket costs to the railways. We would also point out in
9 the case of commuter services, that while the losses
10 are of a particular regional nature since the services
11 are concentrated in eastern Canada, the effect is to
12 impose a burden on the "captive freight traffic", the
13 major portion of which is in the Atlantic Provinces
14 and in Western Canada.

15
16 The problem confronting this Commission in
17 regard to branch line operations is indeed a most
18 difficult one. There can be very little doubt that
19 as a result of many operations maintained at present
20 on branch lines, the railways are obliged to offer and
21 to maintain services at less than their out-of-pocket
22 costs with the result that an additional burden is placed
23 on the general freight shipper. This problem of branch
24 line losses is not a new one; in fact, one can trace
25 it almost to the inception of the transcontinental rail
26 lines in Canada. Solution of the problem is par-
27 ticularly difficult because of the various interests
28 involved. There can be no doubt, however, that the
29 burden resulting from these operations is particularly
30 onerous on the shipper. Construction of these branch



1 lines was a decision of management but the present day
2 costs of operating and maintaining them have to be borne
3 by the freight shipper. At a later date, we shall be
4 dealing at length with the historical background to
5 this problem and shall also deal in detail with the
6 situation as we find it today. To illustrate the
7 problem, we would refer you to the report of the Duff
8 Royal Commission on Transportation, 1931-1932, which
9 presented a detailed consideration of this matter.

10
11 MR. MAURO: Mr. Chairman, I am reading
12 from pages 12 and 13 of that Report at paragraph 27:

13 "If good sense had prevailed the executive
14 officers of the two systems would in 1923 have
15 planned together to meet the transportation
16 requirements of the country, and would have
17 refused to promote or permit irrational and
18 wasteful competition. Irrational competition
19 in branch line construction, and in widely
20 varied services, developed and intensified in-
21 herently unhealthy operating conditions in the
22 Canadian National Railways, incident to owner-
23 ship and operation of one unrequired trans-
24 continental line. These conditions, with
25 the unexpected severity of a long period of
26 depression, and consequent reduction in tonnage
27 and passengers available for both railways
28 have imposed upon the Canadian public, as
29 owners of the National System, capital ex-
30 penditures and losses of great magnitude,



1 and have caused anxiety and deep concern to the
2 holders of securities of the Canadian Pacific
3 Company."

4 We would also refer to page 21, paragraphs
5 55 to 59:

6 "Canadian railway development during the
7 past decade has consisted almost entirely of
8 the construction of branch lines and both com-
9 panies have followed practically the same policy.
10 Your commissioners have questioned the represen-
11 tatives of both lines as to justification for
12 the construction or acquisition of this addi-
13 tional mileage. The explanations given are not
14 such as to convince us that this policy has
15 been sound or wise.

16 "On behalf of the Canadian Pacific it was
17 stated that the Company had been forced to
18 anticipate the building of branch lines, the
19 construction of which might have been deferred
20 without injury to the public, and that protective
21 lines had had to be projected under a threat
22 of invasion by the Canadian National.

23 "The Canadian National stated that to
24 refrain from branch line construction would
25 result in the system being deprived of any
26 opportunity for reasonable and proper develop-
27 ment. Strategic territories, contiguous to
28 their main lines, would be entered by their
29 rival and, while admitting that they entered
30



1 upon the construction of lines not immediately
2 required, they defended this policy on the
3 ground that to open up new territory in
4 anticipation of settlement and immigration,
5 and to maintain the company's relative position
6 with regard to the rival transport enterprise,
7 was in the long run justified.

8 "To sum up, it is clear that there was
9 intense rivalry between the two systems in new
10 territory, particularly in the provinces of
11 Saskatchewan and Alberta. The construction
12 program of one company was responded to by an
13 equal or greater program of construction of
14 the other. The development of this territory
15 did not meet expectations, and the railways now
16 find themselves with additional traffic mileage
17 and an increased burden of capital charge.

18 "It would be fruitless at this stage to
19 apportion the blame for the competition in
20 branch line construction, but there is no doubt
21 as to the disastrous effects of this competition,
22 and it is imperative that conditions be imposed
23 that will make impossible a repetition of the
24 rivalry in the extension of railway mileage that
25 marked the period from 1923 to 1931."

26 MR. MAURO: Q. Would you go on, please,
27
28 Mr. Premier?

29 A. For a statement of the expenditures by
30 both railways during this period, 1923-1931, on branch



line construction, we would refer the Commission to the following table which summarizes data shown on page 20 of the report of the Duff Royal Commission:

BRANCH LINE CONSTRUCTION BY PROVINCES
1923-1931

	C.N.R. \$	C.P.R. \$
Nova Scotia	3,755,699	-
Prince Edward Island	367,708	-
Quebec	9,056,573	3,971,062
Ontario	3,413,313	633,486
Manitoba	9,862,746	72,225
Saskatchewan	30,803,441	38,694,673
Alberta	8,658,296	18,135,401
British Columbia	<u>5,210,854</u>	<u>3,560,441</u>
Total	<u>71,128,630</u>	<u>65,067,288</u>
Mileage	1,895	2,266

It is of interest to note that the Royal Commission was of the view that:

"A policy of cooperation would have avoided a considerable part of this expenditure, probably one-third."

There have been statements from time to time by railway officials that might lead one to conclude that all non-profitable branch line operations exist in Western Canada and all profitable operations are in Eastern Canada. There should be no misunderstanding as to the location of unremunerative and duplicate branch lines, and in this connection we would refer the



1 Commission to the text of Professor W. T. Jackman's
2 "Critical Analysis of The Canadian Railway Problem" where
3 the following statement appears on pages 17 and 18.

4 "There is no doubt that there is some ex-
5 cessive duplicate and unprofitable branch line
6 mileage in the West, but certainly not the major
7 portion of the total by any means. That this
8 statement is precisely correct can easily be
9 seen by noting the location of duplicate branch
10 lines which the officers of both companies
11 suggested for abandonment at the Senate Committee
12 Inquiry of 1938. This mileage is overwhelmingly
13 in Ontario and the East. In the west the
14 serious branch line duplications are in Manitoba
15 and Northern Saskatchewan and are the result of
16 a period of intense competition in branch line
17 construction between the Canadian Northern and
18 the Grand Trunk Pacific."

19
20 Q. In this general connection, Mr. Chairman,
21 we have referred to the cross-examination of Mr. C. D.
22 Edsforth, Vice-President of the Canadian Pacific
23 Railway, at the hearings in Ottawa on December 7,
24 1959. Quoting from daily volume 12, page 1705,
25 where he is being examined by Mr. Frawley towards the
26 bottom of the page:

27 "Q. I was not asking what it would be, I
28 say you have deficits on branch lines?

29 A. Some of those branch lines will not be
30 earning their proper revenue.



1 "Q. How about in Central Canada, you have some
2 of the same kind?

3 A. At the moment I cannot recall any."

4 A. Mr. Chairman, this historical background
5 is necessary for consideration of the problem. We
6 suggest, however, that very little will be gained from
7 a detailed argument on the historical development of the
8 present problem or the economic effects thereof. While
9 the situation was created by the decisions of railway
10 management, a solution requires a cooperative effort on
11 the part of both railways and shippers. It has been in
12 this spirit that the Province of Manitoba has approached
13 the problem and it is in this spirit that we offer our
14 solution. There is in this problem of branch line
15 operations a multiple interest. The railways are
16 desirous of minimizing their losses occasioned by
17 non-compensatory operations. Similarly the freight
18 shipper, who in the ultimate analysis must bear the
19 costs of any non-compensatory services, has a primary
20 interest in seeing that various operations are in fact
21 compensatory. From the purely financial viewpoint this
22 approach would appear irrefutable but as we have already
23 indicated the operation of rail transportation facilities
24 in Canada was not predicated solely from the viewpoint
25 of railway profit. There is the broader aspect of
26 public convenience and necessity.
27
28
29
30



1 This Commission is faced, therefore, with
2 the dual interest of the railways and shippers desiring
3 more profitable and efficient operations on the one
4 hand and the particular area served by the railways on
5 the other hand, desiring to safeguard its economic
6 development. It is our considered opinion that any
7 solution must have regard to the interests of all par-
8 ties. While such a solution will not be completely
9 satisfactory to any of the interested groups, it is a
10 compromise in the best interests of all.

11 Q. Mr. Premier, you have enumerated those
12 obligations and limitations which the Province of
13 Manitoba contends have resulted in a burden to the
14 freight shipper. Has the Province of Manitoba any
15 comment as to what can or should be done to ensure a
16 more equitable distribution of that burden?

17 A. We have a number of suggestions, based
18 on each one of those major points, and the first is
19 in connection with passenger and related services.

20 As to passenger services, in this context
21 we wish to distinguish between trunk line operations
22 and branch line operations. We are not in a position
23 here to define the distinguishing characteristics but
24 we are satisfied that the two types of operations in
25 fact can be distinguished. With regard to the trunk
26 line passenger services, the ideal situation would be
27 one wherein the railway passenger service would yield
28 sufficient revenue to meet the fully distributed costs
29 of providing that service but since the ideal is
30



1 apparently not attainable, we submit as follows:

2 Firstly: That the railways should continue
3 to achieve efficiencies by the elimination of duplicate
4 services and by whatever other means are available to
5 them.

6 Secondly: As to the actual net losses re-
7 sulting from trunk line passenger and related services,
8 if such services are deemed to be in the national
9 interest, then these losses should be met from the
10 federal treasury. These losses for all future purposes,
11 and in particular for the purpose of setting freight
12 rates, should be removed from the accounts of the
13 railways. The "national interest" can be determined
14 by the Board of Transport Commissioners.

15 Then, in connection with commuter services:

16 These losses represent a unique problem that
17 must be approached with a view to a particular solution.
18 In the United States an attempt is being made by the
19 municipalities and the railroads concerned to solve
20 this problem on a cooperative basis. A similar ap-
21 proach is necessary, we believe, to a solution of the
22 Canadian problem. This will require discussion
23 between representatives of the municipalities, pro-
24 vincial authorities and the railways. The final
25 decision, of necessity, must rest on the particular
26 facts in each instance, both regional and fiscal.
27 The losses on commuter services should not be a
28 burden on the general freight shipper nor on the federal
29 treasury. As in the case of general passenger
30



1 services, the ideal situation would be one wherein
2 commuter services would yield sufficient revenue to
3 meet the fully distributed costs of providing that
4 service but on the assumption that the railways are
5 unable to impose the necessary level of rates, we
6 suggest to the Commission that it recommend as follows:

7
8 Firstly: Unprofitable commuter services
9 should either be abandoned upon application by the
10 railways to the Board of Transport Commissioners, or

11 Secondly: Net losses on such services --
12 which we define as revenue being less than out of pocket
13 costs for each particular service -- should be under-
14 written by the municipalities affected, and

15 Thirdly: That in future the Uniform Classifi-
16 cation of Accounts be varied so as to exclude commuter
17 service net losses for freight rate-making purposes.

18 In this respect, Mr. Chairman, I have an
19 interesting quotation which I would like to place on
20 the record; it comes from a journal entitled "Canadian
21 Transportation" and the article is called "Big Problems:
22 Big Possibilities", and it is written by Mr. G. C.
23 Campbell, C.N.R. Research Economist, and he uses the
24 following words near the bottom of his article, and
25 I quote:

26 "I predict that if a way could be found for
27 the railways and metropolitan authorities to
28 work together co-operatively in the planning,
29 operation and financial support of comprehen-
30 sive commuter services, the benefits to the



1 entire area would be so great that were I to
2 estimate an equivalent in dollars, I would be
3 accused of gross exaggeration."

4 And I am glad to think that there is a meeting of the
5 minds.

6 THE CHAIRMAN: What date was that issued?

7 THE WITNESS: The issue is July, 1959.

8 MR. MAURO: Q. Will you carry on, Mr.
9 Premier?

10 A. Now, I would like to refer to branch
11 line operations. Our proposed scheme, which we have
12 entitled "Branch Line Trackage Maintenance Fund"
13 would be established and operated in a manner similar
14 to the present East-West Bridge Subsidy scheme. The
15 Fund would be operated by the Board of Transport
16 Commissioners. The railways would apply in the usual
17 manner for abandonment of branch lines and would submit
18 relevant cost data. The Board would determine whether
19 or not the particular branch line operation was in fact
20 in the public interest. I emphasize that point. If
21 the Board's decision was negative, the abandonment
22 of the line would be ordered. If the Board's decision
23 was in the affirmative, the losses experienced would
24 be segregated from the general revenue statement of
25 the railway and the Board would reimburse the railway
26 annually in an amount equal to the cost of maintaining
27 the trackage of the branch line so determined to have
28 been in the public interest. The railway would be
29 required to re-apply each year, thus allowing a proper
30



1 check on its maintenance expenditures and also permitting
2 the Board to determine whether the operation was still
3 in the national interest. Annual application by the
4 railways to the Board would also permit interested
5 parties to inquire as to the continued efficiency of the
6 particular operation. The amounts so received by the
7 railway from the Branch Line Trackage Maintenance Fund
8 would be applied, as in the case of the present Bridge
9 Subsidy, to a reduction in the relative level of freight
10 rates.

11
12 Now, I would like to expand slightly on that
13 idea, if I may, because under this proposal the railways
14 would, as they do now, compare the revenue and expenses
15 of each branch line on their system. Wherever they come
16 to the conclusion that a particular branch line was
17 returning insufficient revenue to cover the cost of
18 operation they would apply to the Board of Transport
19 Commissioners for permission to abandon that line.

20 The Board of Transport Commissioners would
21 examine the railways' cost and revenue figures to
22 satisfy itself that the operation was in fact un-
23 profitable. If it was found to be so, the Board of
24 Transport Commissioners would then determine whether
25 it was necessary or desirable in the public interest
26 to maintain the operation, and I suggest that in
27 many instances they would decide that it is in the
28 public interest to maintain that operation. If the
29 Board then concluded that the line did not serve the
30 public interest it would authorize the abandonment.



1 If on the other hand the Board found the operation did
2 serve the public interest despite the established losses,
3 it would order an annual payment from the public
4 treasury in an amount equal to the cost of maintaining
5 the "Trackage" of the branch line under investigation.
6 The term "Trackage" is used here in the same context
7 as that in Section 468 of the Railway Act.

8
9 The money received by the railways from the
10 Branch Line Maintenance Fund is to be applied to a
11 reduction in the level of non-competitive rates applying
12 between all stations in Canada in the same manner as
13 that presently in force under the \$20 million subsidy.

14 I would point out that the payments from
15 this Fund would not be applied as a direct subsidy to
16 the railways but would be applied to a reduction in the
17 relative level of the rates on the class and non-
18 competitive commodity traffic, the so-called captive
19 traffic. The benefit of this assistance would be
20 received by the shippers in the form of a direct re-
21 duction in their total freight bill.

22 Under Section 468 of the Railway Act a maximum
23 amount of \$7,000,000 annually has been provided as the
24 fund which will be dispersed by the Board to the railways
25 for the annual cost of maintaining the trackage between
26 Sudbury and Fort William in the case of the Canadian
27 Pacific and between Capreol and Fort William and
28 between Cochrane and Armstrong on the Canadian National
29 transcontinental lines. We are advised that this
30 sum of \$7,000,000 was arrived at as a reasonable estimate



1 of the maintenance cost of this trackage at the time of
2 the Turgeon Royal Commission's recommendations on this
3 matter in 1951. We are of the view that a similar
4 estimate should be made in the present case to establish
5 the maximum annual payment by the federal treasury into
6 the Branch Line Trackage Maintenance Fund. Unfortu-
7 nately we do not have the relevant information that
8 would enable us to make the estimate. This lack of
9 information underlines the importance of having available
10 adequate data on branch line trackage and maintenance
11 costs. However, when a reasonable estimate of branch
12 line trackage annual maintenance costs has been
13 determined, the maximum amount of the federal govern-
14 ment's annual contribution to a fund could be stipulated
15 in the applicable legislation.

16
17 THE CHAIRMAN: That is very interesting, Mr.
18 Mauro, whether or not we accept the suggestion. In any
19 event, it indicates some of the medicine which you think
20 should be given to the patient to try to bring about a
21 cure.

22 THE WITNESS: We appreciate that this is
23 probably one of the most difficult aspects of the
24 problem that you face, and we have attempted to provide
25 a solution which might strike some as being constructive
26 in this province. We feel it is one that certainly
27 has to be faced.

28 MR. MAURO: I was wondering, Mr. Chairman,
29 whether the Commission is going to sit until twelve, or
30 would you desire to sit later?



1 THE CHAIRMAN: It is almost twelve now
2 and we are making good progress, and I think that we
3 might adjourn now until this afternoon.
4

5 ---Luncheon adjournment.
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1 ---On resuming at 2.00 a.m.

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3 THE CHAIRMAN: All right, gentlemen, we will
4 come to order, please. I think, Mr. Mauro, it would be
5 fair if I warned counsel that after the Premier is
6 finished I think questions should be asked of him first
7 by Mr. Dickson and then by provincial counsel and then
8 have the railways ask questions last. I am sure Mr.
9 McDonald and Mr. Sinclair would have some questions to
10 ask.

11 MR. SINCLAIR: I would think so, Mr. Chairman,
12 and as it pleases the Commission.

13 THE CHAIRMAN: Then, Mr. Mauro, you may have
14 some re-examination.

15 Might I ask one other thing: I have never been
16 the first minister of a province, but I know something
17 of the duties of a minister of the Crown. Now, in
18 Ottawa there has been reference to your Ottawa case:
19 do you propose calling there witnesses to support some
20 of the figures you have given?

21 MR. MAURO: The complete case, Mr. Chairman.
22 The purpose in our presenting this somewhat extensive
23 synopsis of Manitoba's position was, again, in a
24 spirit of cooperation to advise my learned friends
25 counsel for the other provinces and my learned friends
26 counsel for the railways the general approach, including
27 fairly detailed recommendations from the Province of
28 Manitoba which will form our substantive case in Ottawa.
29 Needless to say, the honourable first minister is not
30 putting in our expert case. We will call experts in



1 Ottawa to substantiate every aspect of this submission.

2 THE CHAIRMAN: And that will be subject to
3 cross-examination?

4 MR. MAURO: Yes, that will be subject to
5 cross-examination. On one point, Dr. Morton, whom
6 we anticipate calling tomorrow, is, in fact, being
7 called as an expert witness on this historical aspect.

8 THE CHAIRMAN: Well, he can be cross-examined.

9 MR. MAURO: Yes, here; that is a different
10 approach entirely.

11 Q. Mr. Premier, we discussed terms (a) and
12 (b) of the specific terms of reference of this Commis-
13 sion, and I would ask you now, sir, to turn to a
14 consideration of Clause (c) of the terms of reference,
15 which reads, "The possibilities of achieving more
16 economical and efficient railway transportation." And
17 I would ask if the Province of Manitoba has any comments
18 to make under that portion of the terms of reference?

19 A. We have an observation to offer, Mr.
20 Chairman. In the postwar period, as the Commission
21 is aware, the transportation field in North America
22 has undergone great change. Attention has been
23 directed to the importance of economical and efficient
24 railway operations, and the Canadian railways, in
25 common with the railroads in the United States, have
26 undertaken a large capital investment programme in
27 order to modernize and improve their plant and services
28 to meet the changing requirements of the time.

29 Efficiency in rail operations is a field which
30



1 lies beyond the competence of laymen. It is not the
2 purpose of the Government of Manitoba critically to
3 direct the railways as to how they should operate their
4 systems. Our intention rather is to suggest that the
5 existing situation should be analysed constructively,
6 to see whether in fact the direction which is being
7 followed by the railways might be varied or improved
8 with a view to achieving a higher degree of efficiency.

9 THE CHAIRMAN: I understand there is no
10 question you claim that efficient rail service is
11 essential to Manitoba?

12 THE WITNESS: Yes, sir, we do think that.

13 THE CHAIRMAN: And there is no complaint
14 about the present service as such?

15 THE WITNESS: Well, the particular point we
16 are going to develop here is to direct attention to
17 the money that is being spent in endeavours to achieve
18 efficiency, and merely suggest that these are matters
19 which we pay for as freight users, and, therefore, we
20 are most interested in being assured they are spent in
21 proper ways.

22 We would expect that at the hearings in
23 Ottawa at a later date the railways will present
24 statistical data supporting their claim that increased
25 efficiency has resulted from the very heavy expenditures
26 which they have made in recent years. On May 1, 1953,
27 on the occasion of an appeal to the Governor in Council
28 in the 7% freight rates case, the Provinces noted with
29 concern the very heavy outlays by the railways in recent
30



years for maintenance of way, equipment, etc., which the railways alleged were required for improvement and modernization of plant and which they contended would eventually result in more efficient services.

MR. MAURO: At that time, Mr. Chairman, the provinces stated as follows:

"The Petitioners have consistently urged upon the Board that increases in expenditures have been excessive as the following table demonstrates:

Canadian Pacific Railway

(in millions of dollars)

	1939	1946	1948	Forecast 1955
	\$	\$	\$	\$
Maintenance of way and structures	19.501	50.493	68.367	93.521
Maintenance of equipment	28.801	59.199	72.520	103.901
Transportation	54.730	117.898	154.069	190.281
Traffic	7.066	6.406	7.760	10.046
Miscellaneous operations	2.262	7.880	7.620	8.426
General	6.160	12.901	15.842	24.634
	\$118.520	\$254.777	\$326.178	\$430.809

"It is respectfully submitted that the figures in this table cannot be lightly dismissed but must have the full consideration of Your Excellency in Council. We say this in light of the fact that freight revenues must carry the load. It is admitted that passenger traffic is



1 maintained at a loss to the railways. Freight
2 revenues, therefore, must bear the cost and in
3 this respect your petitioners would respectfully
4 urge three considerations:

5 (a) From 1939 to 1953, while the miles of
6 railroad operated by Canadian Pacific Railway
7 decreased slightly, maintenance figures
8 have increased from \$48,000,000.00 to
9 \$197,000,000.00 for the yardstick company.
10 Making all allowances for adequate maintenance,
11 increased material and labour costs and volume
12 of traffic, it is difficult to see why mainten-
13 ance costs should have increased from
14 \$48,000,000.00 to \$197,000,000.00. The
15 ratio of maintenance expenses charged in 1953
16 as compared with 1939 is 4.1 to 1.

17 (b) The railways have told us of some
18 of the technological advances they have
19 adopted. We know of dieselization, insul
20 brick, machines used on maintenance of way and
21 others, but we suggest there is not reflected
22 in the figures given in this table the
23 savings which technological advance should
24 represent. This is further urged in
25 later argument, but the point is here made
26 that either the savings are not reflected
27 or they are imminent and the freight payer,
28 in the freight rates fixed for the future,
29 will not receive the benefit of them."
30



A. For the years 1953 to 1958.

	1953	1954	1955	1956	1957	1958
	\$	\$	\$	\$	\$	\$
Maintenance of way and structures	90.481	70.347	70.781	85.269	86.375	83.602
Maintenance of equipment	101.731	89.588	92.484	103.597	98.966	97.430
Transportation	184.861	172.264	173.961	190.022	178.414	168.781
Traffic	10.281	10.002	10.781	11.236	12.242	12.082
Miscellaneous Operations	8.360	8.228	9.093	9.707	9.135	8.625
General	<u>25.052</u>	<u>25.790</u>	<u>26.828</u>	<u>30.455</u>	<u>32.654</u>	<u>34.025</u>
	420.766	376.219	383.928	430.286	417.786	404.545

Source: Canadian Pacific Railway Annual Reports.

This is a total expenditure of a figure, not in the brief, for the period 1953 to 1958 of \$2,433,530.000.

We believe that the magnitude of these outlays and they are very great makes it imperative that the railways should present full information on the results of their very costly improvement programme in the postwar period.

For example, we should like to direct your attention to the following statistics for the Canadian Pacific Railway for the years 1948 and 1958:



	<u>1948</u>	<u>1958</u>
Locomotive Miles (in 000's)	77,329	53,586
Number of Locomotives	1,831	1,730
Miles per Locomotive	42,333	30,974
Freight Car Miles (loaded) (in 000's)	886,526	856,037
Number of Freight Cars (less vans)	74,917	80,545
Miles per Freight Car	11,833	10,628
Gross Ton Miles (Freight & Passengers) (in 000's)	70,054,408	69,528,701
Number of Operating Employees	75,176	70,817
Gross Ton Miles per Employee	931,872	981,808

(Source: All statistics obtained from Annual Reports
of Canadian Pacific Railway or publications
of Dominion Bureau of Statistics)

Q. Mr. Premier, does the Province of Manitoba
place any particular interpretation on the these figures?

A. These figures are not submitted as proof
of declining efficiency; rather they are advanced to
indicate the need for complete information on the
efficiencies attained from the large outlays for im-
provement and modernization of the railway systems.

We would re-emphasize that our interest in
this important matter should not be interpreted as an
attempt to substitute our judgment for that of rail
management. Our interest arises from the fact that
these large expenditures, under the present "require-
ments formula" have to be borne by the freight



1 shippers and we submit that it is our duty to seek infor-
2 mation on the results achieved from these expenditures.

3
4 In any consideration of the problem of decreased
5 unit utilization of rolling stock, numerous matters must
6 be appraised. Among these are the problem of terminal
7 delays, the question of whether or not present demurrage
8 rules have become outdated, the need for new and improved
9 passing tracks in conjunction with Centralized Traffic
10 Control, and the question of whether or not the present
11 minimum weight requirements require revision. These
12 are problems which are not unique to the Canadian scene,
13 but are problems which face railways in various parts of
14 the world. All of these matters have to be fully con-
15 sidered before a solution can be defined. At this time,
16 we only wish to point out that in our opinion there is
17 a need for continuing efficiencies in the operation of
18 Canadian railways and that the situation requires re-
19 appraisal.

20 The Province of Manitoba is also interested
21 in what action has been taken by the railways under the
22 provisions of the Canadian National-Canadian Pacific Act,
23 1933. The principal objective of this legislation is
24 to enable the railways through cooperative measures to
25 effect economies.

26 MR. MAURO: Q. The objective of that Act,
27 which appears in Chapter 33 of the Statutes of Canada,
28 1932-33, Mr. Chairman, is clearly set forth in Section
29 16(1) where the section reads:

30 "The National Company. . . and the Pacific



1 Company . . . are, for the purposes of effecting
2 economies and providing for more remunerative
3 operation directed to attempt forthwith to
4 agree and continuously to endeavour to agree, and
5 they respectively are, for and on behalf as
6 aforesaid, authorized to agree, upon such co-
7 operative measures, plans and arrangements as
8 are fair and reasonable and best adapted (with
9 due regard to the equitable distribution of
10 burden and advantage as between them) to effect
11 such purposes."

12 They are further directed that whenever they do so agree
13 they shall endeavour to provide through negotiations
14 with representatives of the employees so affected as
15 part of such measure, plan or arrangement, or otherwise,
16 for a fair and reasonable apportionment as between the
17 employees of the Canadian National Railways and the
18 Canadian Pacific Railway respectively of such employ-
19 ment.
20

21 A. In 1949 during the Turgeon Commission
22 hearings certain information on joint cooperative pro-
23 jects for the period 1933 to 1949 was tabled; this infor-
24 mation appears as Appendix "A" at pages 224 to 227 of
25 the report. We have requested both railways that
26 they advise us as to what action has been taken since
27 that date under the Act. The railways have advised
28 that they are unable at this time to prepare the
29 information but that it would be forthcoming. At a
30 later date when this information has been received we



1 will have further comments to make on this particular
2 matter.

3 THE CHAIRMAN: I may say that the Commission
4 has sought it too.

5 MR. MAURO: Q. The next reference is (d),
6 and it reads:

7 "Whether, and to what extent, the Railway
8 Act should specify what assets and earnings of
9 railway companies in businesses and investments
10 other than railways should be taken into account
11 in establishing freight rates."

12 Does the Province of Manitoba desire to make any sub-
13 mission on this phase of the inquiry?

14 A. Yes, sir. The Government of Manitoba is of
15 the view that the allocation of the railway companies'
16 income between "rail" and "non-rail" in the determina-
17 tion of financial requirements for rate-making purposes
18 is not in accord with the historical factors pertaining
19 to the creation of our railway systems.

20 We wish in particular to direct the Commission's
21 attention to the non-rail assets and earnings of the
22 Canadian Pacific Railway. It is our submission that the
23 Canadian Pacific Railway Company cannot properly be
24 regarded as a dual corporation; that, although the
25 Parliament of Canada in the enactment of incorporation
26 and in the subsequent supplementary enactments gave to
27 the Canadian Pacific Railway wide powers and privileges,
28 the Company was formed in 1881 to accomplish a specific
29 objective, to complete and operate the Pacific railway.
30



1 We submit also that the allocation of require-
2 ments between rail and non-rail income does not provide
3 a proper guide for the determination of the financial
4 requirements of the Canadian Pacific Railway for rate-
5 making purposes.

6 The Canadian Pacific Railway Company was
7 established as an instrument of national policy. The
8 contract between the Company and the Government of
9 Canada dated October 21, 1880, set forth the mutual
10 obligations.

11 MR. MAURO: The charter, Mr. Chairman, in-
12 corporating the Canadian Pacific Railway, Statutes
13 of Canada, appears in 44 Victoria, 1881, Chapter 1
14 Section 3, and it reads:

15 "Upon the organization of the said Company,
16 and the deposit by them with the Government of one
17 million dollars in cash or securities approved
18 by the Government, for the purpose in the said
19 contract provided, and in consideration of the
20 completion and perpetual and efficient operation
21 of the railway by the said company, as stipulated
22 in the said contract, the Government may grant
23 to the company a subsidy of twenty-five
24 million dollars in money, and twenty-five
25 million acres of land, to be paid and conveyed
26 to the company in the manner and proportions,
27 and upon the terms and conditions agreed
28 upon in the said contract and may also grant
29 to the company the land for right of way,
30



1 stations and other purposes, and such other
2 privileges as are provided for in the said
3 contract."

4 THE WITNESS: In consideration of the
5 obligations accepted by the Company, the Government
6 granted to the Company a cash subsidy of \$25,000,000,
7 and 25,000,000 acres of land, with additional lands for
8 rights of way and structures. The Government also
9 transferred to the Company those portions of the line
10 which it had built through northern Ontario from Fort
11 William to the Red River and from Kamloops to Port
12 Moody in British Columbia; this completed line of 713
13 miles was later valued at \$37,785,320. In addition,
14 the Company also received valuable duty and tax exemp-
15 tions and certain exclusive territorial rights under what
16 was known as the "monopoly clause".

17 We would direct the Commission's attention to
18 the fact that the 25,000,000 acres of land received by
19 the Company from the Government of Canada were located
20 entirely in Western Canada. The territorial monopoly
21 granted to the Company by the Government of Canada
22 whereby the construction of other railway lines between
23 the main lines of the Canadian Pacific Railway south
24 to the United States border would not be allowed was also
25 restricted to Western Canada.

26 The Province of Manitoba submits that the
27 Parliament of Canada when it established the Canadian
28 Pacific Railway Company envisioned a corporate entity and
29 not a corporation with a dual purpose and with a segrega-
30 tion of assets between the rail enterprise and the various
subsidiary enterprises.



1 At no time since 1881 has Parliament rejected
2 or revised its original view of the Canadian Pacific
3 Railway as a corporate entity. The Company's Charter
4 has been revised over the years but none of the amend-
5 ments have established new purposes or have altered
6 the original objective. The wording of the various
7 statutes amending the charter make it clear that Parlia-
8 ment had no intention that the Company might exercise
9 its additional powers as ends in themselves or for pur-
10 poses divorced from the objective for which the Company
11 was originally formed. Parliament defined the purposes
12 of the Canadian Pacific Railway Company in 1881 and it
13 has been the intent of Parliament, as stated in the
14 amending statutes, that the additional powers granted
15 to the Company would be exercised only as they would
16 contribute to these purposes. The Government of
17 Manitoba therefore submits that the division of income
18 of the Canadian Pacific Railway into "rail income"
19 and "non-rail income" is not a proper division and
20 that such segregation has never been the intent of the
21 Parliament of Canada.
22

23 We would draw the attention of the Commission
24 at this time to the following list of companies con-
25 trolled by the Canadian Pacific Railway Company as
26 shown in that Company's 1958 Annual Report.
27
28
29
30



Controlled Companies

Transportation:

Canadian Pacific Airlines Limited
Canadian Pacific Express
Canadian Pacific Steamships Limited
Canadian Pacific Transport Company Limited
Smith Transport Limited
Smithsons Holdings Limited
Aroostock Valley Railroad Company
Central Terminal Railway Company
Duluth South Shore and Atlantic Railroad Company
Island Freight Service Limited
Minneapolis, St. Paul and Sault Ste. Marie
Railroad Company
Wisconsin Central Railroad Company
Quebec Central Transportation Company

Other:

The Consolidated Mining and Smelting Company
of Canada Limited
The Alberta Stock Yards Company Limited
Canadian Pacific Oil and Gas Limited
Lethbridge Collieries Limited
Midland Simcoe Elevator Company Limited
The New Brunswick Cold Storage Company Limited
The Scottish Trust Company

In addition to the above the Canadian Pacific
Communications Department and Canadian Pacific Hotels
Department are operated as a part of the Canadian
Pacific Railway Company.

Other Companies

The Canadian Pacific Car and Passenger Transfer
Company Limited
Northern Alberta Railways Company
The Pennsylvania Ontario Transportation Company
The Public Markets Limited
The Shawinigan Falls Terminal Railway Company
The Toronto Hamilton and Buffalo Railway Company
The Toronto Terminals Railway Company
Vancouver Hotel Company Limited.

We wish to refer briefly to the activities of
a few of the controlled companies. Canadian Pacific
Oil and Gas Limited holds mineral rights to extensive
acreage acquired by purchase from the Canadian Pacific



1 Railway Company. We would also point out that in
2 the case of the controlled companies in the field of
3 transportation, for example, Canadian Pacific Transport
4 Company Limited, Smith Transport Limited and Canadian
5 Pacific Airlines Limited, the railway company is in
6 fact in competition with these controlled companies
7 which are engaged in the transportation of commodities
8 and people.

9 MR. MAURO: I may say, Mr. Chairman, that
10 the effect of this competition on the parent company
11 was stated as follows by the Provinces in the submis-
12 sion to the Governor in Council on May 1, 1953. I
13 am quoting from page 6 of that submission:

14 "The Canadian Pacific has a wholly owned
15 subsidiary known as Canadian Pacific Transport.
16 Canadian Pacific Transport has a wholly owned
17 subsidiary known as Dench Transport. The
18 Canadian Pacific has a wholly owned subsidiary,
19 Canadian Pacific Air Lines; (see the evidence
20 of Mr. Crump, Vol. 911, pages 165 and Bucking-
21 ham Vol. 914, page 429). These agencies are
22 competing with the railways and these
23 agencies are profitable (see evidence of
24 Messrs. Crump and Buckingham). They transport
25 freight and express and passengers and mail.
26 Indirectly, by diverting all this traffic
27 from the railway, these enterprises contri-
28 bute to the deficit in passenger traffic and
29 contribute to a lessening of the volume of
30



1 freight and express traffic. That is to say,
2 the parent body itself, which is the yardstick
3 road and before the Board seeking relief by way
4 of increased freight rates, has provided com-
5 peting agencies to the railway as a carrier
6 of freight, express and passengers."

7 THE WITNESS: We would point out that since
8 1953 Canadian Pacific Railway has obtained control of
9 Smith Transport Limited, one of the largest highway
10 trucking companies in Canada.

11 For 1958 the Canadian Pacific Railway received
12 in dividends from its holdings in other companies
13 \$7,943,339. In addition to the income received from
14 holdings in other companies the Canadian Pacific Railway
15 in its annual report for 1958 shows the following amounts
16 as other income before income taxes:

17 Net earnings from steamships \$ 1,212,571

18 Net earnings from hotel, com-
19 munication and other proper-
20 ties \$ 481,393

21 Net income from petroleum rents,
22 royalties, reservation fees,
and land rents \$ 6,828,123

23 Net income from interest,
24 separately operated properties
and miscellaneous sources \$ 3,808,428

25 The Government of Manitoba, for the reasons
26 we have advanced, therefore recommends that:

27 Firstly: The Commission undertake a full
28 examination of the non-rail assets and earnings of the
29 Canadian railways.

30 Secondly: The present Classification of



1 Accounts be revised in order that effect be given to
2 the clear intention of the Parliament of Canada in 1880
3 as evidenced by contract and statute.

4
5 Thirdly: The various transportation agencies
6 owned by the companies and not now considered as
7 "rail" be re-examined with a view to re-classifying
8 such agencies.

9 MR. MAURO: Q. Mr. Premier, you have dealt
10 with terms of reference (a), (b), (c) and (d) in the
11 Order in Council establishing this Commission. There
12 was one final paragraph in that Order in Council, namely
13 paragraph (e), which reads as follows:

14 "Such other related matters as the
15 Commissioners consider pertinent or relevant
16 to the specific or general scope of the
17 inquiry."

18 I would ask you whether or not the Province
19 of Manitoba wishes to make a submission to this Commis-
20 sion on this aspect of the terms of reference?

21 A. Under this clause the Province of
22 Manitoba may wish, at a later date, to direct the
23 attention of the Commission to a number of other matters.
24 At this time, however, we limit ourselves to a considera-
25 tion of the need for examining the role of existing
26 regulatory agencies in the administration of national
27 transportation policy.

28 We suggest that perhaps the time is now
29 opportune for a critical re-appraisal of the federal
30 government's administrative agencies in the field of



1 national transportation. When one considers the very
2 large sums of money which are expended annually by
3 the federal government on transportation matters, the
4 importance of efficient administration becomes readily
5 apparent. And I would like here just to refer again,
6 sir, to the report that was tabled at Exhibit 94,
7 referring to the expenditure in 1958 of some \$220
8 million by the Government of Canada in matters of this
9 sort.

10
11 There exist at present a number of agencies
12 and departments of government which administer particular
13 aspects of transportation by rail, water, air and pipe-
14 lines. These agencies are: The Board of Transport
15 Commissioners, the National Harbours Board, the Canadian
16 Maritime Commission, the Air Transport Board, the
17 National Energy Board. The Department of Transport
18 has jurisdiction over a number of matters and the
19 federal interest in highway construction is administered
20 by the Department of Public Works in the case of the
21 Trans-Canada Highway and the Department of Northern
22 Affairs and National Resources in the case of Roads to
23 Resources. In addition, the federal government's
24 jurisdiction with respect to interprovincial transporta-
25 tion by highways is exercised by the ten provincial
26 authorities.

27 This multiplicity of administrative agencies
28 has resulted in the fragmentation of national policy and
29 has increased the difficulty of implementing a consistent
30 plan where the role of specific aspects is properly



1 assessed from the standpoint of the overall policy.
2 The very volume of specific problems constantly before
3 present administrative bodies makes it impossible for
4 them to undertake the necessary research with a view
5 to future development. Rather they are obliged, by
6 time and complexity, to deal with immediate regulatory
7 problems. In short, our present system can only deal
8 with problems after they arise, rather than consider
9 policies which might either forestall such difficulties
10 or deal with them before the damage is such as to demand
11 regulatory redress.

12 This problem of coordinating administrative
13 agencies has received study both in Canada and in the
14 United States.

15 MR. MAURO: The problem in the United States,
16 Mr. Chairman, has been set forth as follows in a study
17 on "National Transportation Policy" by Charles L. Dearing
18 and Wilfred Owen which was prepared in 1949 for the
19 Brookings Institution in Washington.

20 I am reading from page 384:

21 "Students of Government relations to
22 transportation have often pointed out a
23 defect in our system of regulation, and
24 that is the absence of any sufficient pro-
25 vision for planning and prevention. Regula-
26 tion is essentially a means of curing evils
27 after they arise. It would be better, of
28 course, if they could be prevented in advance.
29 There is need for foresight -- for consideration
30



1 and comprehension of tendencies and trends and
2 where they are leading, in order that those
3 that are desirable may be encouraged and those
4 that are undesirable discouraged.
5

6 "Anyone who has served on the Commission
7 knows that it is not well adapted to such work.
8 Its functions are performed under quasi-judicial
9 procedure. Its attention is occupied with
10 specific cases which must be decided. It has
11 little time for thought and research on broad
12 lines. It is difficult for commissioners to
13 confer with parties on controversial issues,
14 without constant need of protecting their own
15 position in the event that they are called upon
16 to play the part of judges in actual litigation.
17 Planning and prevention are not matters which
18 can well be handled at off times or as side
19 issues. They require single-minded, con-
20 centrated attention."

21 And, then, at page 407 of the same work:

22 "For these reasons the creation of a
23 national Transport Regulatory Commission would
24 be required to administer a revised program of
25 public regulation applicable to all forms of
26 transportation. The keystone of this regula-
27 tory system would be regulation of competitive
28 rates, operating rights, and structural organiza-
29 tion of individual firms. The basic purpose of
30 such regulation would be to prescribe the



standards of rate and service competition that would assure the economic allocation of traffic among the several forms of transportation, and to guarantee impartiality in the granting and denial of operating privileges to individual firms. The Commission would, of course, retain the accounting, reporting, cost finding and other ancillary functions essential to the effective discharge of its major regulatory duties."

That represents the consensus of opinion under the situation existing in the United States, Mr. Chairman. The situation here in Canada, of course, is different, but it received some consideration by the Turgeon Commission in 1949. In that report, at pages 279 and 280, under the heading "Reorganization of Control":

"It is true the Parliament's lack of jurisdiction over intra-provincial transportation presents a major obstacle to the full attainment of this most desirable object. It is of course permitted to hope that the provinces will some day agree to cooperate with the Federal authority in the carrying out of a common policy of coordination. Until that day comes, however, there is no reason why Parliament should not proceed as far as its authority extends towards the establishment of a national transportation system functioning



1 under the control and regulation of an efficient
2 supervisory board. The several means of
3 transportation -- railways, waterway, airways,
4 (highways), and now pipe lines -- are distinct
5 agencies that are inseparably inter-related.
6 They should be so regulated as to serve not
7 only individually but collectively in meeting
8 the country's needs." . . .

9 "All this leads to the question whether the
10 policy of close coordination and central control
11 to which Parliament seemed inclined to commit
12 itself in the Transport Act of 1938, should
13 not be invoked once again with the view to
14 its extension rather than to its restriction
15 which has been the trend of more recent enact-
16 ments. If this policy of 1938 can be revised
17 and made effective it should properly have its
18 beginning in the establishment of a strong
19 control organism capable of taking the task
20 in hand. Today there are three separate
21 bodies, each charged with the control (a more
22 or less extensive control in each case) of a
23 part of Canada's transportation system.
24 They are the Board of Transport Commissioners,
25 the Air Transport Board and the Canadian Mari-
26 time Commission. It must be difficult, with
27 this dispersion of control, to apply to all of
28 Canada's transportation agencies like principles
29 of regulation for the accomplishment of a
30



1 common purpose, viz that of enabling each
2 agency to perform its service advantageously
3 and properly as part of a national transporta-
4 tion structure. The tendency of a separate
5 independent body is to formulate policy
6 affecting transportation without regard to
7 the relationship of the various agencies to
8 each other. This anomaly should give way to
9 the constitution of a Central Authority which
10 will be able to take in hand the major task
11 of coordinated control, having at its disposal
12 all the benefit acquired from the experience of
13 the separate bodies in recent years.

14 "The adoption of this policy would
15 bring together the three above named bodies,
16 reorganized and united and devoted henceforth
17 to the pursuit of a well planned policy for
18 the coordination and regulation of trans-
19 portation."
20

21 THE WITNESS: Since that time we have seen
22 the rapid development of highway transportation, the
23 opening of the St. Lawrence Seaway, and the completion
24 of a network of pipelines across the nation. It is
25 our submission that the need for coordination and
26 unification of direction is more acute today than
27 at the time of the above report.

28 Subsequent to the report of the Turgeon Royal
29 Commission, the Royal Commission on Canada's Economic
30 Prospects also examined the question of coordination



1 of the existing transportation agencies and in its final
2 report in November, 1957, reached the following con-
3 clusion. The first one I quote is from page 284:

4 "We also believe that a more unified approach
5 should be taken by the federal Government in
6 dealing with the transportation agencies under
7 its control. Rather than having each transpor-
8 tation enterprise competing -- and unequally at
9 that -- for the taxpayer's dollar in order to
10 be able to conceal the high real cost of certain
11 of their services, we believe it sounder,
12 cheaper and more efficient for them to provide
13 only those services which will stand on their
14 own feet."

15 And, again, reading from the same document,
16 on page 287:

17 "We do not think the sort of unity of
18 transport policy we have been talking about
19 can be achieved by some super transport body
20 with rigid regulatory power even if there was
21 no constitutional objections to such a scheme.
22 We do, however, believe it can be more nearly
23 attained if the authorities concerned seek to
24 ensure that each form of transport as nearly
25 as possible pays its own way and is regulated
26 in such a way as to prevent waste, duplica-
27 tion and uneconomic rate-making."

28 MR. MAURO: Q. Mr. Premier, does the
29 Province of Manitoba have any specific recommendation
30



1 on this problem?

2 A. We do not intend to advance any detailed
3 proposal as to the structure or power of such a tribunal.
4 This Commission can better determine these factors
5 after due consideration, but we suggest that it should
6 of necessity be regional in its representation, thus
7 permitting the proper consideration of national policies
8 as they affect the various economic regions of Canada.
9 Such a body would have as its major task the direction
10 of research and planning into transportation problems
11 in general in conjunction with or independent of
12 specific agencies. In addition, we feel that at least
13 once each year such a tribunal or board should visit
14 the provincial capitals for hearings on general matters
15 affecting transportation in that area and make an
16 annual report to the Minister of Transport.

17 We wish to make it clear that we are not
18 suggesting establishment of a new regulatory agency which
19 would replace the existing regulatory bodies. The
20 present regulatory boards are in a position to dis-
21 charge their administrative responsibilities in their
22 particular fields of jurisdiction more effectively
23 than would be possible under a new overall regulatory
24 agency. We wish to emphasize that we are only sug-
25 gesting that the time is now opportune for examination
26 of the need for establishing an agency that would direct
27 research and planning into transportation problems in
28 general with a view to recommending possible solutions
29 to the responsible federal authorities charged with the
30



1 administration of national transportation policy.

2 The Government of Manitoba therefore recom-
3 mends:

4 That this Royal Commission examine the
5 necessity for coordinating the administra-
6 tion of national transportation policies
7 with a view to providing the most efficient
8 and economic means for the transportation
9 of people and commodities.

10 MR. MAURO: I want to thank you, Mr. Premier,
11 for your submission. I would ask you now to answer
12 the questions of Commission and learned counsel.

13 THE CHAIRMAN: Well, Mr. Roblin, we now have
14 been, as I said before to you, in seven provinces, and
15 we have been met by five of the premiers, and we have
16 an appointment with a sixth. If there was no other
17 occasion for us to take ourselves seriously as a
18 Commission, that very fact that six of the premiers have
19 seen fit to come before us would mean that we should.

20 We have been very honoured by the fact that
21 you have come yourself, and we thank you for what you
22 had to say to us, and we thank you particularly for
23 giving us some of your ideas by way of solution.
24 Whether we accept them or not is another thing; but, in
25 any event, you have indicated to us what are the means
26 in your mind, after giving the matter some careful
27 consideration.

28 THE WITNESS: Thank you, Mr. Chairman.

29 THE CHAIRMAN: Mr. Cooper?
30



1
2 CROSS-EXAMINATION BY MR. COOPER:

3 Q. I understand, Mr. Premier, from what
4 you have already told the Chairman, that detailed and
5 definitive submissions will be made in Ottawa on all
6 matters covered by your preliminary submission today.
7 I therefore do not intend to direct any questions of
8 detail to you, but there are certain areas on which I
9 think the Commission might wish your views.

10 In your submission today, Mr. Premier, you
11 have referred to the economy of the prairie provinces
12 as becoming more diversified with a marked increase in
13 manufacturing capacity and potential.

14 Would you indicate to the Commission the
15 extent of the development of manufacturing industries
16 in Manitoba in the postwar World War II period and
17 up to the present time?

18 A. Yes, sir. I would be very glad to do
19 that.

20 I think that usually when one hears the name,
21 Manitoba, we think of Manitoba No. 1 -- that standard of
22 excellence in wheat which is unmatched, in our view,
23 throughout the world. As I travel around, I find that
24 most people seem to think that this province is still --
25 and it certainly was in the beginning -- essentially an
26 agricultural province. While agriculture, in my view,
27 is the most important activity in which our people are
28 engaged, and vitally important to us, it is also true
29 that we have very much diversified our economy, par-
30 ticularly during the last few years.



1 I submit it would be true to say that agri-
2 culture today probably accounts for twenty per cent
3 of the production of Manitoba, and I would say that
4 the industrial and processing and manufacturing
5 activities in the province probably account for three
6 times that amount. I think that figure might be found
7 to be within reasonable bounds.
8

9 Q. It is about sixty per cent?

10 A. I would say something in that nature,
11 yes. The Minister of Industry and Commerce, sir,
12 will be speaking here on Wednesday and he is going to
13 deal with that particular point. But suffice it to
14 say that the economy of the province has suffered a
15 marked change in the last few years in the development
16 of our industrial production, and it is now two or three
17 times in value what our direct agricultural production
18 is.
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1 Q. You anticipate that the development and
2 growth of manufacturing industries will increase
3 relatively through agriculture in the foreseeable
4 future?

5 A. There is every indication that that
6 will be so and in addition, of course, we are hoping
7 for a large development in our natural resource indus-
8 tries, based on mining and forestry, and that, of
9 course, as you can imagine, is very closely related
10 to the freight rate structure.

11 Q. Would you say that the shift in emphasis,
12 if I can put it that way, from an agricultural to an
13 industrial economy has intensified your freight rate
14 problems, or otherwise?

15 A. Well, it is very hard to answer that
16 question because it is a qualitative one. I think
17 that as far as the farming public is concerned they will
18 be reluctant to admit that the manufacturers of Manitoba
19 are having it possibly easier because of the freight
20 rates, as their people are selling their products in
21 the worldwide market where transportation is so impor-
22 tant, and buying more of their products in an internal
23 market, and we think -- as we said before -- that the
24 dice are loaded against them in connection with the
25 commodities coming into this province. It is also true
26 to say that the question of freight rates is vital to
27 our manufacturing industry as well.

28 When you consider our geographical location
29 in the centre of the continent, why, you consider that
30



1 the prairie market is not the major market in Canada;
2 that the goal of every Manitoba manufacturer is to break
3 into the larger markets of Eastern Canada and the
4 Pacific Coast, and you can see how important matters
5 like transcontinental rates are to us.

6 We are trying to develop, for example, a
7 clothing manufacturing industry here, and we have done
8 quite well. These goods are going to most of Canada,
9 and if that industry is given a freight rate structure
10 that is satisfactory, it helps our position in expanding
11 that industry.

12 Q. You spoke this morning of the fishing
13 industry in Manitoba, Mr. Premier, and with particular
14 reference to Schedule "C" at page 15 in your submission.
15 Where are your chief markets for fish?

16 A. Our chief markets for fish at the present
17 time are in the United States, and one of the things we
18 would like to do, of course, is to develop a better
19 market in Canada. We think that a better freight rate
20 structure in this case might assist us.

21 Q. Does any quantity of fish move by truck,
22 by motor truck, or is it all moved by rail, or how is it
23 moved?

24 A. Now, that question I am afraid I can't
25 answer; I would have to check the facts to make sure just
26 what the proportion is.

27 Q. Similarly with respect to canned goods,
28 I was also going to ask you whether there was any movement
29 of canned goods by truck, but perhaps you don't have that
30



1 information either, or at least in so far as the
2 figures are concerned, Mr. Premier?

3 A. Well, I am sure that canned goods move
4 by both rail and by truck, and I think we will pro-
5 bably make use of both forms of transportation.

6 Q. Could you give any indication to the
7 Commission at all as to whether or not there has been
8 an increase in the use of motor truck transport in
9 bringing goods into Manitoba in recent years?

10 A. Oh, I think that is perfectly true, and
11 I have had some experience, if I dare to assert my
12 personal position, I can say that automobiles, for
13 example, were brought into this province at one time
14 almost entirely by rail, and then competition reared
15 its ugly head and they were brought in by over-the-
16 road carriers, and then, of course, the railways pro-
17 duced an agreed charge to meet that competition, and I
18 imagine they have some of that business back again.
19 In that particular example I suppose there are still
20 quite a number of automobiles moving into this province
21 by road.

22 Q. And I presume that matter of competition
23 is resulting in an ever-increasing number of agreed
24 charges in the province; is that correct?

25 A. Well, that may be so, but in view of
26 the recognized advantages of rail transportation in
27 respect of many products, we feel that that will not be
28 the complete answer to our particular problem.

29 Q. In your recommendations, Mr. Premier, you
30



1 propose a payment of a subsidy from the federal treasury
2 to meet the actual net losses resulting from the
3 trucking loss and the passenger and related services,
4 but in any case where the continuation of such services
5 is deemed by the Board of Transport Commissioners to
6 be in the national or public interest. Now, would
7 you consider with respect to this matter of subsidies,
8 Mr. Premier, that the railways should receive a subsidy
9 to meet the losses occasioned by the continuation of
10 any service deemed to be in the national interest?
11

12 A. Well, of course, the government
13 is, in itself, in the national interest, and I think
14 that if we do see that they are operating the service
15 and it is in the national interest that perhaps they
16 do have something to talk about if they are asking for
17 additional help.

18 Q. I was taking your views a little beyond
19 that and I was wondering whether your views are that in
20 such a case it would be, let us say, justifiable to
21 grant a subsidy?

22 A. I would like to examine the method by
23 which any such subsidy were granted. I think our view
24 would be rather than paying it directly to the railway,
25 that it should take the form of their submitting their
26 accounts and submitting certain reductions and the
27 receipts they charged, and in return for that would be
28 the subsidy in the West that I believe they did with
29 respect to the East-West Bridge subsidy.

30 Q. But in any event, no matter how confused



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I suppose it would be a subsidy?

A. Yes, it winds up in their pockets.

Q. Now, in that section of your statement commencing on page 49 you deal with related matters, and you have just mentioned a few moments ago the possibility or the advisability of a new tribunal being established.

I would like, Mr. Premier, for you to enlarge on that subject and indicate to the Commission, if you can, any further ideas you might have as to the work which would be undertaken by such a tribunal in addition to what you already have in the statement.

A. Well, I think, sir, that we would like to see such a tribunal as the ones which are suggested in the submission.

Q. It would be a research body and not, perhaps, directed to the whole principal picture?

A. That is right. We don't look upon this as some super regulatory body that is going to take under its wing the thinkings of the present Boards that we have; this, rather, would be a group entrusted with the responsibility of doing a little forward thinking, let us say, on the problem of examining and writing on the solution of one particular matter on the other phases of the transportation industry.

It would seem that in some cases the solution -- our problems are resolved on one point, but perhaps the implication of that solution is that the methods of transportation have not been fully investigated at this time, and it is our thought that if we had a body of this



1 sort that it might be able to, in a restrictive way,
2 consider the problems of all the provinces involved
3 in this very complex and highly integrated problem;
4 namely, transportation of its various sorts and kinds.

5 Q. So, this tribunal is to make an annual
6 peregrination through the province?

7 A. That makes the province feel good if
8 they have someone to present their difficulties to
9 from time to time. There is nothing like talking
10 the problem out, and that gives us an opportunity to
11 do it.

12 Q. This tribunal, would you envision it as
13 having any power of direction, power to enforce any
14 positive action?

15 A. I really doubt that it would because they
16 will be dealing, I think, largely with things that may
17 be called matters of policy, and therefore their function
18 should be limited to recommend to those who have the
19 responsibility for policy on those points, and naturally
20 that recommendation goes to the federal authorities.

21 Q. Also in your statement you referred,
22 perhaps rather indirectly, to the St. Lawrence Seaway.
23 Has the Government made any study as to the effect of
24 the seaway on the economy of the Province of Manitoba?

25 A. We will be referring to this matter
26 further when our substantive representations are made
27 in Ottawa, but perhaps I can say that what information
28 we have at the present time makes us believe that the
29 St. Lawrence Seaway has not as yet been reflected fully
30



1 in the economy of the province. We recognize the
2 advantages with regard to export matters but, of course,
3 there are the other facets of the St. Lawrence Seaway
4 which so far have not been, in our opinion, fully
5 reflected in this province.

6 Q. Well, those are all the questions, Mr.
7 Premier, that I wish to put to you at this time. Thank
8 you.

9 THE CHAIRMAN: Mr. Dickson?

10 MR. DICKSON: Thank you, Mr. Chairman. Mr.
11 Chairman and members of the Commission, may I first on
12 behalf of the section of the grain trade which I repre-
13 sent, namely, the companies forming the Northwest Grain
14 Elevators Association, join with the Honourable, the
15 first minister of this province, in welcoming you to
16 Winnipeg and to the western provinces. In so far as
17 you, Mr. Chairman, are concerned, and Mr. Commissioner
18 Platt, this is in the nature of a welcome home, but for
19 those of the commissioners who perhaps are not as
20 familiar with the West as we are, I hope that after your
21 trip through the West you will have memories of this
22 experience, even though it be in the month of February,
23 that will be pleasant ones.

24 THE CHAIRMAN: By the West, you mean the
25 prairie west?

26 MR. DICKSON: Yes. In the dignified and
27 somewhat rarefied atmosphere of Ottawa, we heard much
28 of the problems facing the railways, and we appreciate
29 them and we sympathize with the railways in the number
30



1 of the problems which seem to be facing them, but on
2 the other hand, I think in the West you will have an
3 opportunity of hearing some of the problems which face
4 the people in this part of the world, and I am sure
5 that the physical propinquity of your Commission to
6 the people in the West, to the farmers, to the people
7 in agriculture and to those in industry, will give you
8 a better appreciation of some of the factors concerning
9 transportation which Western Canada is up against.
10

11 We are most grateful, as I am for the
12 Northwest Line Elevator Association, that your Commission
13 undertook the not inconsiderable arduousness of a
14 western trip in midwinter, but I think with respect,
15 sir, that your time will be well spent.

16 CROSS-EXAMINATION BY MR. DICKSON:

17 Q. Now, Mr. Premier, may I say first of all
18 that I commend you, sir, and your associates for the
19 submission which you have placed before this Commission,
20 and it is a challenging and comprehensive one and
21 evidences a great deal of study and a great deal of
22 thought on the subject matter before this Commission.

23 There are just one or two aspects of the
24 matter which I would like to direct your attention to.
25 The first appears on page 30, paragraph 71, about the
26 middle of the paragraph, where you say:

27 "We suggest it is not valid to look
28 simply at one aspect, one single factor in
29 that freight bill, such as the cost to the
30 farmer in Manitoba moving his grain to export



1 points. We believe that the overall freight
2 bill must be considered and this should in-
3 clude the cost to the Manitoba shipper not
4 only of shipping his commodities to market,
5 but also the cost of bringing in his commodi-
6 ties: his agricultural implements, equipment
7 and supplies and his foodstuffs."

8
9 In that overall appraisal I presume you would
10 feel that there should also be taken into account the
11 fact that the farmer in the movement of grain other
12 than for export is paying domestic rates which are
13 very substantial?

14 A. Yes, I would agree with that.

15 Q. Those rates cover variable cost, constant
16 cost and something above that, and you would expect
17 that in this proposal one of the factors for inclusion
18 would be the impact of domestic rates on grain moving
19 other than for export?

20 A. Yes, I would agree with that. We have
21 not particularized every possible type of rate, but
22 that would certainly be among them.

23 Q. Now, the other matter which I want to
24 discuss with you briefly, Mr. Premier, is that of
25 abandonment of branch lines. On this subject I think
26 we may have a slight difference of opinion. First of
27 all, I take it that you would agree that the position
28 taken by the railways as expressed in the submission
29 which Mr. Crump gave a week or so ago, that until
30 there is a marked change in the situation, the Canadian



1 farmer cannot, without hardship, pay out of the sale
2 price of grain a just and reasonable rate for moving
3 grain and grain products to export positions, and on
4 the following page you say something to the like
5 effect. I am on page 15 now.

6 A. You are asking me to agree with that
7 statement?

8 Q. I am asking you if you are in agreement
9 with that.

10 A. As I have heard it, I will say that I
11 think the Western farmer is paying a fair and just
12 price for his movement of grain to export markets now.

13 Q. And you are in agreement that nothing
14 further should be added to the cost of moving his grain
15 to export positions?

16 A. That is right.

17 Q. And I take it from the point of view of
18 the railways that they are pricing it on the basis of
19 ability to pay. Would you agree with that?

20 A. That the farmer has a greater ability
21 to pay now?

22 Q. That the farmer at the moment lacks the
23 ability to pay a just and reasonable rate.

24 A. I would say that I would deny the
25 premise, to begin with, or perhaps I couldn't follow
26 it to a conclusion. I would say that the farmer is
27 paying a fair and reasonable rate. It could be
28 argued that that is still too high, but that is a point
29 which we have not entered into at the present time.
30



1 Q. We will look forward to hearing about it
2 being higher.

3 A. It is a possibility.

4 Q. In this matter of abandonment of branch
5 lines, you would recognize, I take it, that the movement
6 of grain is somewhat in a special category in that
7 alternative trucking service is not a factor for long-
8 term hauling of grain at the present time?

9 A. Generally speaking, I will agree with that.
10

11 Q. And that the movement of grain by rail is
12 many times cheaper than trucking the grain?

13 A. Yes.

14 Q. Under present circumstances?

15 A. Yes.

16 Q. And that on any abandonment of branch
17 lines you would expect that there would be increased
18 costs to the farmers effective by reason of having to
19 take their grain to the railhead some distance?

20 A. That certainly would arise.

21 Q. And it would also entail some expenditure
22 of the farmer's time, of course, and there is also the
23 cost item?

24 A. Yes, that would be true.

25 Q. And would it also be true that the need
26 of work on the roads over the western provinces has, to
27 a considerable extent, been a factor -- the layout, by
28 reason of the layout on the major lines, the railway
29 lines of both the Canadian Pacific and the Canadian
30 National?



1 A. It is not the only consideration, but it
2 is certainly an important one.

3 Q. An important one.

4 A. Now, I just don't want you to misunderstand
5 me on this matter, Mr. Dickson, because while I gave
6 answers to your questions, I think that if you -- I
7 can't pursue the implication of your question to its
8 logical conclusion, as perhaps some might wish, because
9 I think we have to recognize that these yardsticks
10 are true only within limits, and that when a system of
11 branch railways has been set up for whatever reason,
12 right or wrong, or ill-advised or well-advised, under
13 the circumstances, nevertheless, the very fact of
14 their location and construction creates certain vital
15 interests, certain problems and certain circumstances
16 which certainly cannot be overlooked when anyone su-
17 ggests that they should be abandoned.
18

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1 Q. Turning to page 32 of your submission,
2 Mr. Premier, you say in paragraph 75:

3 "There can be no doubt, however, that the
4 burden resulting from these operations is par-
5 ticularly onerous on the shipper."

6 By "shipper" are you including the farming communities
7 in that word, or are we talking here about the shippers
8 other than those, say, located on branch lines?
9

10 A. I am talking about all shippers, in-
11 cluding those who are shipping grain on branch lines.

12 Q. Would you say it was ever in a farmer's
13 interest to seek abandonment of a branch line?

14 A. That would depend entirely on the cir-
15 cumstances of the case. I can think of some branch
16 lines, I suppose, in the Province of Manitoba -- per-
17 haps not too many -- where one would not meet with too
18 much local opposition for their removal for the reason
19 that they have alternative facilities of one sort or
20 another; but I would agree that where there is a
21 branch line established, with a well-developed system
22 of elevators, that that is a matter which is of entirely
23 different complexion, and it has to be examined very
24 carefully before anyone could lightly suggest it
25 be abandoned.

26 Q. Do you think there is any branch line
27 in Manitoba which could be abandoned without opposition?

28 A. I think there is one -- I am sure there
29 are some in that category.

30 Q. May I read an excerpt appearing in the



1 Leader-Post of December 30th. It relates to one of
2 the abandonments before the Board -- a very recent one
3 -- and it is date lined Windthorst:

4 "Town and country people met Monday night
5 in the K.C. hall to discuss the Canadian Pacific
6 Railway's application to abandon the Reston-
7 Wolseley line. Village Overseer Les Katona
8 was in the chair, and Secretary W. C. McArton
9 read reports concerning the railroad. About
10 fifty attended and were unanimous in protesting
11 the railway's move. Representatives from
12 Baring and Peebles joined in the protest.

13 "A committee comprised of Mr. J. Glover,
14 C. J. Bill, representing the village of Wind-
15 thorst, Elmer Miller and Basil McInnes repre-
16 senting the Saskatchewan Wheat Pool Committee,
17 R. Schmitz of the N. M. Patterson Company and
18 R. Hay, C.P.R. employees, was appointed to
19 gather information and to work with other
20 committees which may be appointed along the
21 line.
22

23 "The C.P.R. made application to the
24 Board of Transport Commissioners for permis-
25 sion to abandon the branch in an application
26 dated December 20th."

27 It goes on to deal with an attempt made
28 earlier, which was not successful, and it says:

29 "Should the application to abandon the
30 line be granted there will be a number of towns



1 without rail service, the largest places being
2 Wawota, Kennedy and Windthorst, all of which
3 have station agents. The other towns with
4 agents, Maryfield and Fairlight, are served by
5 the C.N.R. as well as the C.P.R."

6 Wouldn't that be indicative of the type of
7 protest which one might expect on an application for a
8 branch line abandonment?

9 A. Undoubtedly, it is; and it may be with
10 good reason, but it is up to the Board of Transport
11 Commissioners to decide whether that line should be
12 retained in the public interest or not. One can think
13 of examples that have been abandoned without any serious
14 consequences to the people living in the vicinity.
15 I am thinking of the line from Winnipeg to Arborg,
16 not too long ago, and that was done with some degree of
17 local consent. I am sure there were protests, but it
18 has not been disastrous. However, where the national
19 interest can be proved for the maintenance of a branch
20 line, it should be maintained. That is the reason for
21 this subsidy idea of ours, to make it possible to con-
22 tinue to operate branch lines in the national interest
23 which may not be fully justified from the financial point
24 of view -- and I mean the financial point of view of
25 the railway. That is why we have introduced this
26 proposal of ours, in order to play fair to all con-
27 cerned and to make sure that the matter, being in the
28 national interest, is properly dealt with.

29
30 MR. SINCLAIR: Mr. Chairman, I don't think



1 the Premier wishes to leave the impression that the
2 Canadian Pacific line to Arborg has been abandoned.
3 I think he means the passenger service is no longer
4 there.

5 THE WITNESS: That is right.

6 MR. DICKSON: I have a list of the abandon-
7 ments, and that one is not on it.

8 THE WITNESS: We can certainly find examples
9 of lines which have been abandoned which probably have
10 been properly abandoned, but that is a point -- and I
11 almost said "my honourable friend opposite" -- is trying
12 to make. However, it is a difficult matter, and no
13 one can make any arbitrary or sweeping statements about
14 the abandonment of branch lines. It has to be dealt
15 with on its merits.

16 MR. DICKSON: Q. Let us make it clear, Mr.
17 Premier, what our concern is: we read your submission,
18 perhaps wrongly, as an implied encouragement to the
19 railways to seek abandonment of branch lines. We regard
20 that -- each abandonment -- as a tragedy to a large
21 number of our people, and for that reason we suggest
22 there are these other major factors which should be
23 taken into account in considering abandonments.

24 A. I would say that quite the converse is
25 what I had hoped you would take from our brief. We
26 realize some branch lines will be under pressure for
27 abandonment because they don't pay. We say some of
28 them, perhaps an overwhelming majority, should not be
29 abandoned, in the public interest even though they don't
30



1 pay, but in order to be fair to those who are charged
2 with the responsibility of setting rates and to the
3 other freight rate payers in the country, with this
4 idea of national interest in our minds, we have
5 developed this branch line trackage maintenance fund
6 idea, but it certainly is not designed to encourage the
7 kind of thing which you seem to fear.

8
9 ---Short recess.

10
11 MR. DICKSON: Mr. Premier, I want to read
12 a paragraph from a Judgment of the Board of Railway
13 Commissioners for Canada appearing in Canadian Railway
14 Cases, Volume 33, at page 127. The excerpt appears
15 at page 280, and I would like to ask you whether you
16 agree with the expression of opinion given in that
17 Judgment. The heading is, "In re General Freight
18 Rates Investigation".

19 "The fact is that a main line without
20 branches would be as unprofitable as branches
21 without main line connections. The long main
22 line haul under highly favourable conditions
23 is what gives the railroads their net returns.
24 But a single main line in such a region as
25 the Canadian West could not secure enough
26 traffic along its location alone to profitably
27 employ the costly facilities which it provides.
28 In order that the main line may be profitable
29 it must have traffic and it can only get
30 sufficient volume of traffic by means of



1 branches. The railway system is made up
2 of its main line and branches, each playing
3 an equally important part in the general
4 scheme of producing profit by giving ser-
5 vice. It is not possible to disassociate
6 one from the other and produce the desired
7 result."

8
9 Would you agree with that as a general principle?

10 A. I would agree with that as a general
11 principle, although I think you might ask yourself
12 whether the word "equal" could be applied to every
13 branch line with complete accuracy. I doubt that.

14 Q. With that reservation, you would agree?

15 A. If you are asking me whether a railway
16 needs branch lines, I would say it certainly does.

17 Q. They are interdependent?

18 A. They are, indeed.

19 Q. Mr. Premier, in your submission you read
20 from a memorandum in which you outlined the method by
21 which this subsidy arrangement could operate, and,
22 according to my notes, it was stated something like
23 this: that the railways would compare revenue and
24 expenditures for each branch line. If they were not
25 recovering sufficient revenue to cover the cost of
26 operations, then there would be the application to the
27 Board of Transport Commissioners, and if the Board of
28 Transport Commissioners decided it was unprofitable
29 but in the public interest, the subsidy would apply --
30 this fund would come into operation; is that roughly it?



1 A. In general terms, that is it.

2 Q. That is the mechanics of it. Then you
3 state:

4 "The railway would be required to re-
5 apply each year, thus allowing a proper
6 check on its maintenance expenditures and also
7 permitting the Board to determine whether the
8 operation was still in the national interest."
9 Would that annual appraisal not, in effect, subject
10 most branch lines to a battle here to justify its
11 existence?
12

13 A. I think that is unlikely to happen. I
14 think that what would be found would be that there was
15 no really substantial change from year to year in the
16 short run. In the long run perhaps there may be
17 changes. Our thought there is merely to have the
18 matter re-examined at convenient intervals to make sure
19 the major factors in the situation do not change.
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1 Q. How could that re-examination properly
2 take place without both sides being present -- the rail-
3 ways seeking the abandonment, and those concerned with
4 the abandonment being present to oppose?

5 A. I don't think that that would necessarily
6 follow. We cannot be certain what procedure the
7 Board would adopt in this connection, but I would
8 imagine if they found that the main financial facts
9 were the same, and that there was no change in the
10 general structure of the community, that would end the
11 matter.

12 Q. But your submission is fairly specific
13 on this matter -- the railway would be required to
14 re-apply each year.

15 A. One can see the reason for that, that
16 it is perhaps desirable that when public money is in-
17 volved in the subsidy that there should be pretty
18 consistent examination of the problem from time to
19 time to make sure that the burden on the taxpayer is
20 a justifiable one.

21 Q. Would you not see this situation arising:
22 you have a rail branch line which is marginal; each
23 year it has to come before the Board to justify its
24 continuing existence; during the year, it is probable
25 that the railway would not wish to spend any money
26 on track maintenance, in view of the doubtful tenure
27 of the line. Would that not have a depressing effect
28 on the community affected by that particular branch
29 line which is coming up for annual trial?
30



1 A. I don't think it would necessarily follow
2 at all. I believe the railways are interested in
3 efficient operation. I believe they would maintain
4 that line, under whatever circumstances, to be in an
5 efficient operating position.

6 Q. Would you consider modifying, say, one
7 year to, perhaps, five years; so that, once having
8 established its right to live, a branch line would be
9 assured that for a period of five years, and the railways
10 would be assured, and the farming community, and every-
11 body else interested in the line would have some
12 reasonable period of assurance that that line was going
13 to continue?

14 A. I see no reason why we could not give
15 consideration to such a suggestion.

16 THE CHAIRMAN: Mr. Brazier?

17
18 CROSS-EXAMINATION BY MR. BRAZIER:

19 Q. Mr. Premier, you probably recall that
20 I represent the Province of British Columbia in these
21 hearings.

22 Do I take it from the answer you gave to Mr.
23 Cooper that the economy of the Province of Manitoba today
24 depends sixty per cent on manufacturing and only twenty
25 per cent on agricultural production?

26 A. I would not place those before the
27 Commission as completely statistically accurate figures.
28 I am merely giving a rough proportion from memory of
29 the situation. But, generally speaking, if you were
30 to say that manufacturing and processing industries



1 occupy that prepondering position, I think you would be
2 correct.

3 Q. And does a considerable part of that
4 processing and industry relate to your primary pro-
5 duction?
6

7 A. Very much so, particularly the packing
8 industry, which is the biggest single industry in the
9 province under the manufacturing heading.

10 Q. And, eliminating them from the heading
11 of manufacturing and industrial, what would be the
12 balance of your manufacturing?

13 A. Well, now, I would have to look at the
14 statistical table to answer that one.

15 Q. Does the Government of Manitoba put out
16 any figures of net production by industry for the
17 province?

18 A. Yes. I don't know whether it is net
19 production, but we do publish statistics showing the
20 contribution that various industries make to our
21 economy.

22 Q. Those could be made available to the
23 people who are interested?

24 A. Yes, certainly. We would be glad to do
25 that.

26 Q. Now, Mr. Premier, with your permission,
27 I would just like to ask you a few questions in respect
28 to the brief itself, which you presented, and I come,
29 first, to the top of page 3.

30 It reads:



1 "Seventy-five per cent of the proposed
2 increase would be extracted from 32 per cent of
3 the traffic."

4 I think you base that statement on the table which
5 follows lower on that same page; is that correct?

6 A. Yes.

7 Q. Now, I suggest to you that it might be
8 a little more accurate to say 75 per cent of the
9 proposed increase would be extracted from that part
10 of the traffic which pays 32 per cent of the revenue.
11 The table is based on revenue, not on volume of traffic.

12 A. Yes, that's right. It says at the top:
13 "Percentage of total traffic revenue."

14 Q. Yes. So, the 32 per cent of the revenue
15 might not be -- and I have good reason to believe it is
16 not -- the same as 32 per cent of the traffic?

17 A. That may be so.

18 Q. Next, you will not be surprised if I
19 ask you one or two questions regarding transcontinental
20 rates.

21 On page 13 you make the statement, in paragraph
22 35:

23 "Transcontinental rates are competitive
24 rates . . ."

25 That is your opening statement on the subject.

26 Now, Mr. Premier, do you see any good reason
27 why competitive rates in one part of the country should
28 be treated or given any different standard of treatment
29 than competitive rates in any other part of Canada?
30



1 A. That would depend entirely on your view
2 of the national interest; would it not?

3 Q. I do not know that I quite follow.
4
5 There are all kinds of competitive rates in the rail
6 structure of Canada. You are aware of that, Mr. Premier?

7 A. I am.

8 Q. You have a great number of competitive
9 rates in Manitoba?

10 A. We have.

11 Q. Yes. Now, I come back and I put it to
12 you in this way -- do you suggest that competitive rates
13 in one part of Canada should be treated in a different
14 way than competitive rates in another part of Canada?

15 A. Well, I come back to my same answer to
16 you. It depends on your view of national economic policy.
17 Now, in the particular case we are quoting here, obviously
18 we do think that some consideration should be given to
19 the competitive position of the Province of Manitoba
20 in respect to freight rates and in respect of competitive
21 rates from Vancouver east and from Toronto to the west.

22 Q. Then, what you are saying is that so far
23 as transcontinental rates are concerned they should
24 receive different treatment than other competitive rates?

25 A. We say they are inequitable to the people
26 of this province.

27 Q. Well, now, might I just turn for a moment
28 away from them and go to page 30 of your brief, para-
29 graph 71. You say:

30 "It is our considered opinion that burden in



1 the context of your terms of reference and
2 burden in the context of national economic
3 policy is the total burden carried by the
4 shippers situated in the various regions of
5 this country."

6 Now, you obviously agree with that statement in your
7 brief. I suggest to you that by picking out the
8 transcontinental rates, as you have, for special treat-
9 ment in your brief, you are getting away from the total
10 burden so far as Manitoba is concerned?

11 A. Well, I would not agree with that at all.

12 Q. You wouldn't?

13 A. No.

14 Q. Would you think that the Province of
15 Manitoba should have the same advantages in every respect
16 as every other part of Canada might have, even although
17 those parts of Canada did not have the same advantages
18 as you did?

19 A. No. I do not think I would say that. I
20 think that sweeping statements of that nature would be
21 out of place. We are not suggesting that the City of
22 Winnipeg should have the advantages of ocean rates
23 that the port of Vancouver enjoys, for example. We
24 would be very glad to have them, but we think it unlikely
25 we will.

26 Q. You say you would not expect to receive
27 the advantage which you say the Province of British
28 Columbia gets, due to its geographical position, applied
29 to Manitoba?
30



1 A. I tell you what we would suggest. We
2 would suggest that the Province of Manitoba should re-
3 ceive the geographical advantages which accrue to it
4 in regard to its position from Vancouver to Toronto.

5 Q. Moving from Vancouver to Toronto?

6 A. Either way.

7 Q. Either way. That is just the thing I
8 want to come to, Mr. Premier. And I just want to see
9 how important these things are to the economy of Manitoba,
10 because, as far as your basic and important economy of
11 this province is concerned, I do not think you get
12 any opposition from the Province of British Columbia
13 that rates be given to you which will be for the
14 development. But, let's take the first item you
15 mention on page 14, "anti-freeze". Just how important
16 is the sale of anti-freeze manufactured in Manitoba
17 and selling in the Vancouver market?

18 A. Well, I am not sure that that is impor-
19 tant at all, but I would say to you that the problem of
20 distributing anti-freeze from Winnipeg to other points
21 in Western Canada in competition with Vancouver is a
22 very important matter with us.

23 Q. Are you speaking here in this list of
24 commodities on page 14 from the point of view of a
25 distributor?

26 A. I am speaking from the point of view
27 of a distributor and the manufacturer.

28 Q. And the manufacturer. Now, anti-freeze
29 is manufactured -- I know it is manufactured in Edmonton.
30



1 Are you aware of that?

2 A. Well, I am not surprised. They have a
3 very well developed chemical industry there.

4 Q. And it is manufactured in Vancouver it-
5 self?

6 A. I will take your word for it, sir.

7 Q. Mr. Premier, how essential to the economy
8 of the Province of Manitoba is this anti-freeze rate?

9 A. Well, of course, how does one know?
10 When one is subjected to freight rates of this sort,
11 one will never know, and the point we are making is
12 not that any particular rate might be disadvantageous,
13 but it is the whole idea we are trying to get at here.
14 But I do not think you can argue that because in terms
15 of one commodity it does not count at the moment, that
16 the whole idea does not count.

17 Q. I wanted to go along to the other item
18 that you have shown here, too, Mr. Premier, because I
19 really feel that the Province of Manitoba has not too
20 much to complain about in the existence of transcontinen-
21 tal rates. You would not agree with that statement?

22 A. No, I am afraid I would not.

23 Q. Cement pipe is the next item that you
24 mention. Is any cement pipe sold from Manitoba in
25 the Province of British Columbia?

26 A. I should be very much surprised if it
27 is sold under these freight rates.

28 Q. Well, where is it sold? How far can you
29 ship cement pipe by rail?
30



1 MR. MAURO: Well, now, I think that questions
2 like that, as to how far, are not proper.

3 MR. BRAZIER: I quite agree.

4 THE WITNESS: I will admit, Mr. Chairman,
5 that this is not an item that one ships very far, if
6 one can help it. But, as far as the freight rate
7 structure is concerned, it would describe the periphery
8 of our distribution area.

9 THE CHAIRMAN: You are not submitting it
10 simply as a paper rate?

11 THE WITNESS: No, sir.

12 MR. BRAZIER: Q. I draw your attention, too,
13 Mr. Premier -- that the comparison rates here are made
14 as between an agreed charge and a class rate. Is
15 that correct?

16 A. In some cases there are agreed charges,
17 yes.

18 Q. Now, I think in each case on page 14
19 it is an agreed charge you are comparing a class rate
20 with?

21 A. Yes, I think that is indicative of the
22 situation; the competitive situation.

23 Q. And the minimums required for rail
24 shipments under them was -- for instance, anti-freeze --
25 in one case the Winnipeg rate would have a minimum rate
26 of 30,000 pounds, and in the case of Toronto, 60,000
27 pounds?

28 A. Well, if I could get the same minimum
29 rates for Winnipeg shipments, relatively speaking, I
30



1 would be very happy.

2 Q. I presume you, as premier, do not know
3 whether the local people have applied for such a
4 minimum to the railway, or not?

5 A. I cannot answer for any particular
6 case, no.

7 Q. I would like to turn, then, to page 50.
8 You make particular reference, I think, to fish.

9 Now, can you tell me how important fish is,
10 relatively speaking, to the total economy of Manitoba?
11 We are well aware of your famous Winnipeg Gold Eye,
12 which we love to eat on the Pacific coast whenever
13 we can get them -- but, in the whole fishing industry,
14 can you tell me how important fish is to the total
15 economy of Manitoba?

16 A. I can tell you, too, something about our
17 famous whitefish, which I can recommend to you.

18 In terms of dollars and cents, perhaps not an
19 important industry, because it only comes to some
20 eight or nine million dollars; but, in terms of private
21 employment, it provides employment for five or six
22 thousand people along the great lakes of this province.
23 We have some of the largest lakes in the world in
24 Manitoba, and it deals with the livelihood of that
25 great northern area which is populated by some fifty
26 thousand Canadians of Indian extraction; the Province
27 of Manitoba. And while the return to any particular
28 family, in terms of dollars and cents, is relatively
29 small, it represents, as far as our standpoint is
30



1 concerned, in terms of those people, it is a very, very
2 important industry to them indeed. I have the case here
3 of a five million dollar industry, in so far as the
4 wholesale price is concerned, I think, purchased from
5 the fishermen's thirty million pounds' production.
6

7 It has a most important impact on the local
8 areas in the province. One which is causing us as a
9 provincial government very great concern is the problem
10 of finding suitable occupation for the native Indian
11 inhabitants, and that is a very pressing one. Indeed,
12 we look with reluctance on the thought of people
13 flooding into these communities, and these people are
14 cast more or less derelict on the community. We want
15 to build up for these people some reasonable occupation
16 in their home surroundings. In that connection, fish
17 is very important.

18 Q. Mr. Premier, I do not want to question
19 the importance of a local problem such as you have just
20 mentioned, but I want to put this, if I can, in relative
21 importance. I think you are probably aware of the
22 importance of the fishing industry to the economy of
23 the Province of British Columbia?

24 A. It is a very important industry for the
25 country as a whole.

26 Q. And, speaking relatively again, fishing
27 is much more important to the overall economy of British
28 Columbia, I suggest to you, than it will ever be so
29 far as Manitoba is concerned?

30 A. That may very well be true, but that is



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1 no reason that I can see that the Manitoba fishermen
2 should be penalized as we believe they are at the
3 present time. If it means so little in the overall
4 economy, then there is more reason to see that these
5 people get a fair deal.
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1 Q. I suggest again to you and certainly, as
2 I say, I do not want to underrate your own problem
3 because I know, like all provincial governments in
4 Western Canada, you have a very serious problem, but
5 looking at it again from an overall national picture --
6 and that, surely, is the way this Commission wants to
7 look at the rail problem -- the provision of a market
8 for the sale of British Columbia fish is more important
9 to the overall economy in British Columbia than the
10 sale of fish from Manitoba?

11 A. No, nothing in this statement is devised
12 to hurt the interests of British Columbia; we want fair
13 treatment for all, that is what we are trying for, and
14 we think that we need to make this presentation to make
15 fair treatment for our inhabitants in this respect.

16 Q. You are not, like one of my other
17 colleagues, suggesting that the rates to British Columbia
18 should be increased at all?

19 A. No, not at all; we are not envious in
20 that rather narrow sense of any advantages you may have.
21 We just want to be treated in the same fair way our-
22 selves.

23 Q. There is one other item here that rather
24 intrigues me, because I have personally something to
25 do with respect to it, and that is wire rope; is wire
26 rope manufactured in Winnipeg?

27 A. I think that there was not too long ago
28 an inquiry as to our industrial development -- con-
29 cerning a wire rope plant, but when they found out what
30



1 our freight rates were they moved somewhere else.

2 Q. At the present time there is no such in-
3 dustry?

4 A. I don't believe there is.

5 Q. So then, the rate on wire rope is of no
6 importance to an existing industry in this province?

7 A. Not to an existing manufacturing industry,
8 but it is very important for those people who use wire
9 rope and those who distribute wire rope, and it would
10 have an effect on the possibilities of our manufacturing
11 that product in the future here.

12 Q. Now, I want to turn if I may just for a
13 few moments to the tables which you have on page 21 and
14 page 22, and the chart which is on page 24 of your
15 brief.

16 At the bottom of page 20, Mr. Premier, you
17 make this statement:

18 "You will note that this schedule shows
19 a comparison of the average freight rate per
20 ton on traffic moving to or from Manitoba
21 points with the average freight rate per ton
22 on the same commodity elsewhere in Canada
23 and the United States."

24 Now, in fact, all you do is compare Manitoba with the
25 Canadian average; is that not correct?

26 A. That is so.

27 Q. And you don't show at all what, for in-
28 stance, the provinces of Saskatchewan, Alberta or
29 British Columbia, what the burden of those rates might
30



1 be on them?

2 A. No, we are dealing with the problems of
3 this province.

4 Q. And do you think there is a possibility
5 that the other western provinces have a heavier burden
6 than Manitoba does?

7 A. There are always people above and below
8 an average, and I can make no authoritative statement
9 about these other people.

10 Q. You have not attempted to compare them
11 with the burden of freight rates so far as Saskatchewan
12 or Alberta or British Columbia is concerned?

13 A. No, sir, that is not in this brief.

14 Q. Now, on the chart which you have on page
15 24, I note the comment there that it is adjusted for
16 length of haul, and I presume that there will be some
17 witness at future hearings who will be able to explain
18 just how this chart was arrived at?

19 A. Yes, we want to give that information
20 in full in Ottawa.

21 Q. I suggest that we are trying to determine
22 the burden of freight rates, Mr. Premier, that there is
23 one important factor that is ignored in this chart, and
24 that is the volume of shipments. Now, is that correct,
25 or ---

26 A. Would you extend that point a little
27 further? I don't want to restrict ---

28 THE CHAIRMAN: Leave that to the man who
29 prepared it.
30



1 MR. BRAZIER: Q. That is just a comment I
2 make, Mr. Premier, on it.

3 A. We will be prepared to talk to you about
4 that.

5 Q. Am I correct in assuming from the state-
6 ments which are made particularly in paragraph 71 on
7 page 30, that the only concern of the Province of
8 Manitoba is with the overall burden of freight rates
9 on the economy of this province?

10 A. Well, that is certainly the major factor,
11 to be sure. We are interested in how much our people
12 have to pay out in dollars for freight.

13 Q. And if it was borne out that the actual
14 burden on Manitoba was less than the other western
15 provinces, your complaint wouldn't be very serious,
16 would it?

17 A. Well, it might very well be serious if
18 proper recognition was not given in these rates to
19 whatever natural geographic advantages we do have.
20 I am thinking particularly of the lake situation among
21 others.

22 Q. There is one other thing you have not
23 covered in your brief, but if you have no information
24 about it, don't hesitate to say so. You mentioned the
25 term "bridge subsidy", which is the subsidy paid on
26 goods coming from Ontario or going to Ontario over the
27 bridge around the Great Lakes, and those rates are
28 reduced today by ---

29 A. Seven million dollars.
30



1 Q. Seven million dollars for the year.

2 Would you agree that that bridge subsidy in the form in
3 which it is now established by statute gives a preference
4 to an eastern manufacturer selling his goods into the
5 prairie markets, as against a manufacturer in Vancouver
6 selling into the same market?

7 A. One would have to look at the figures to
8 know just whether that statement is true or not. I
9 don't really know whether I care to hazard an opinion
10 on that.

11 Q. I don't know exactly, but I think the
12 breaking point is Portage la Prairie where the mileages
13 would be equal, and on the class scale as they were
14 originally equalized, the rate from Toronto to Vancouver
15 and Portage would be exactly the same, but due to the
16 bridge subsidy the manufacturer in Toronto has his
17 freight lower.

18 A. I would say that the manufacturer in
19 British Columbia is probably suffering under about the
20 same disability as the manufacturer in Winnipeg,
21 trying to compete in a prairie market under these con-
22 ditions.

23 Q. You think in the situation probably that
24 form of subsidy should be eliminated?

25 A. Well, I wouldn't say that at all because
26 when one considers the competitive advantage -- this
27 is your market and this is the transcontinental -- I
28 am sure that Vancouver has received more than fair con-
29 sideration under these circumstances.
30



1 Q. Have you any idea what the volume of
2 traffic on the transcontinental is?

3 A. Well, perhaps Mr. Stechishin can tell us.
4 I can't hazard a guess.

5 Q. Would you be willing, with this question
6 of the bridge subsidy being just an assist to the eastern
7 manufacturer selling into the prairie markets, that you
8 might leave that to the examination of this Commission?

9 A. I am quite prepared to leave any aspect
10 of this matter examined by this Commission.

11 MR. BRAZIER: Thank you very much.

12 THE CHAIRMAN: Mr. Smith.

13
14 CROSS-EXAMINATION BY MR. SMITH:

15 Q. I have just one question. Mr. Premier,
16 would you please refer to page 8 of your very powerful
17 and clear submission, and this is a reference to my old
18 friend the Maritime Freight Rates Act, the effect
19 of which you have heard in the past.

20 Now, I suggest that there should be a correction
21 there, Mr. Premier, in so much as at lines 9 to 15 you
22 speak about the movement of commodities within the
23 Maritime region or within the Maritime region itself,
24 and you speak also of the Maritime portion of westbound
25 rates, and I just want to point out to you, as you
26 perhaps know, that the select territory, so-called,
27 includes a considerable portion of the Province of Quebec?

28 A. Yes, that is true.

29 Q. There is just one other question for my
30 own satisfaction and information, and perhaps Mr. Stechishin



1 could answer that, although it may be obvious that I am
2 the only stupid one.

3 The figures on page 21 of Schedule "D", the
4 comparison of average freight rates moving to or from
5 Manitoba points with the average freight rates on the
6 same commodities moving elsewhere in Canada and the
7 United States. Now, do those figures include traffic
8 moving within Manitoba alone? Could Mr. Stechishin
9 answer that question? Does it include the movement
10 of traffic that begins and ends in Manitoba?

11 MR. STECHISHIN: Yes.

12 THE WITNESS: Thank you for the correction on
13 the maritime freight rates. There is certainly no one
14 who knows more about it than you do.

15 MR. SMITH: Q. I have one or two more general
16 questions. I will ask a question and if you prefer
17 not to answer, why, please feel free to indicate that.

18 In discussing the movement of fish with my
19 friend Mr. Brazier, I made a note, and these are my
20 instructions, and I wonder, sir, if you could confirm it,
21 that there is an important shipment of your fish by
22 truck from Manitoba all the way directly into the New
23 York market, a distance in excess of 2,000 miles?

24 A. I believe there are very substantial
25 long distances covered.

26 Q. And this truck movement, is there one
27 whole movement, as I understand it, in excess of 2,000
28 miles?

29 A. I can't answer that, but I believe it is a
30



1 long haul.

2
3 Q. Mr. Premier, on page 52 of the statement
4 which you so ably presented this morning and this after-
5 noon, there is a quotation from page 278 of the Turgeon
6 Report in 1949, and it is dealing with the proposed
7 coordination -- I think it appears at pages 52 and 53 --
8 a proposed coordination was suggested, coordination
9 between the province and the federal government for
10 the furtherance of a national transportation policy.

11 Now, I just want to carry that one step further
12 and ask you to recall that in 1949 at the time that the
13 Turgeon Report was written, the authority of the Par-
14 liament of Canada for interprovincial and international
15 trucking had not yet been established. Now, you recall
16 that case in 1954?

17 A. Yes, I do.

18 Q. And that since the determination of that
19 matter and the passage of the Motor Vehicle Transport Act,
20 this province along with others is, in fact, cooperating
21 very extensively in connection with regulation of truck
22 transportation in Canada and that you have, sir, I be-
23 lieve, a board which regulates and controls international
24 and interprovincial trucking as well as intra-Manitoba
25 trucking?

26 A. Yes.

27 Q. You also have, I understand a board that
28 regulates the matter of rates?

29 A. Yes.

30 THE CHAIRMAN: Within the province?



1 THE WITNESS: Within the province.

2 THE CHAIRMAN: Mr. Hume?

3
4 CROSS-EXAMINATION BY MR. HUME:

5 Q. Does that Board regulate any interna-
6 tional or interprovincial truck rates that are within
7 the province, so to speak, in the geographical limits
8 of the province?

9 A. You are asking me to state something that
10 I would like to be advised on before I give a positive
11 answer, but to the best of my knowledge they regulate
12 their activities to the movement within the province
13 of Manitoba.

14 Q. So that the rate regulations that are in
15 force in this province relate only, so far as you are
16 aware, to the intra-Manitoba traffic?

17 A. I can't answer that categorically; it may
18 have something to do with interprovincial or interna-
19 tional traffic in so far as that operation within the
20 province is concerned. I am sorry I cannot give you
21 a definite answer.

22 Q. That is all right, I am just seeking it
23 for my own information. Now, one other question; I
24 think it would be a matter of interest to this Commission
25 to know that Manitoba along with the other provinces
26 has inaugurated the system of provincial cooperation
27 by reason of conferences on this same very problem of
28 regulating the truck aspect of international and
29 interprovincial traffic?

30 A. Yes, we do confer with our other



1 provinces.

2 Q. there is, in fact, I believe, an organiza-
3 tion set up in which Manitoba has taken a leading part
4 in assisting in the organization of this interprovincial
5 organization?

6 A. I believe that is so.

7 Q. Now, Mr. Premier, in connection with
8 page 2 of your submission, I have an inquiry with
9 respect to the bottom three lines, and you are dealing
10 there with the events leading up to the formation of
11 the present Royal Commission, and I am quoting from
12 your brief at paragraph 5 at the second sentence:

13 "They" -- indicating the province --

14 "They indicated that since 1948 freight rates
15 had been increased by a cumulative total of
16 157 per cent."

17 I wondered whether or not what you meant to say was
18 that the permissive increases are 157 per cent, but
19 that the actual increase by reason of the agreed charges
20 and competitive rates is considerably less than that?

21 A. Well, I think that is the case, but I
22 think in the case of some items that it has increased
23 at a full permissible total, owing to the fact of
24 captive traffic, but where you have a competitive
25 situation it may have been possible to increase that to
26 the full percentage, and that is one of the points that
27 appear in this matter of horizontal increases.

28 Q. As I read this, and perhaps I read it
29 incorrectly, it appears to me that what you are saying
30



1 is that the total increase was 157 per cent, but I don't
2 think you mean that?

3 A. No.

4 Q. I just wanted to clear that point up.

5 A. That is right.

6 Q. Then, my final question relates to a
7 figure that you show at the top of page 3 and in which
8 you point out that the captive traffic, as you have
9 called it, represents about 32 per cent -- as my friend
10 Mr. Brazier has pointed out -- of the revenue, 32 per
11 cent of the revenue. Now, Mr. Premier, I put it to you
12 that that is a decreasing figure over the years, and
13 that not so very long ago it was 50 per cent and not
14 very many years before that it was even higher?

15 A. I am sorry, I must say you are right.

16 Q. And the captive traffic is decreasing
17 by reason of competitive influences that are being
18 brought to bear on the railways?

19 A. I believe that is right.

20 Q. Would you say, sir, that the people of
21 your province are benefitting by the force of com-
22 petition being brought to bear upon rail rates?

23 A. I think everybody benefits by that force,
24 sir, and we do, amongst others.

25 Q. And would you say that in the ten years
26 since the last Royal Commission that the system of rates
27 to which you referred earlier and the growth of the
28 trucking industry in this province has produced lower
29 rates, in that there are more competitive rates being
30



1 put into play by the railways almost every month?

2 A. I think there is much in that point of
3 view, and the Minister of Industry and Commerce hopes
4 to deal with that in his presentation.

5 Q. I will save any further questions I have
6 for him. Thank you very much.

7 THE CHAIRMAN: Mr. Sinclair?

8 MR. SINCLAIR: Well, sir, before I start,
9 and with the Commission's approval, I see it is one
10 minute to four, and I am not very often engaged by
11 the Prime Minister of Manitoba, and I am sure that I
12 cannot have the chat I wish to have with him in one
13 minute.

14 THE CHAIRMAN: We will go on; we will stay
15 late.

16 MR. SINCLAIR: I would be very happy to
17 start, and I will try to phrase my questions to the
18 Prime Minister in such a way that he can answer them.

19 THE CHAIRMAN: We will go on for half an
20 hour. We have a programme that will not fit in.

21 CROSS-EXAMINATION BY MR. SINCLAIR:

22 Q. I represent Canadian Pacific, Mr. Prime
23 Minister, and my name is Ian Sinclair, and I first
24 would like to recall to you a question that you answer-
25 ed to the Chairman and that is that in your opinion
26 the railways were essential to the economic well-being
27 of Canada. You would agree with that?

28 A. Decidedly.

29 Q. And you would also agree that railways
30



1 should be financially sound?

2 A. I think that is true.

3 Q. And you would also agree that for rail-
4 ways to be financially sound they must be efficient?

5 A. I think that is so.

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1 Q. And, fundamental to your thinking, Mr.
2 Premier, would be that efficiency is brought about by
3 profit and losses?

4 A. I think that that may have a very im-
5 portant bearing on the matter, but there are many con-
6 siderations that go into the development of efficiency.
7 Certainly, technological changes may or may not be
8 related to the proper motive. We see them taking
9 place in socialist countries, I must confess.

10 Q. But would you think that the fear of loss
11 and possibilities of profit implicit in the profit and
12 loss system is the best system for our country?

13 A. Yes, I do, but one has to recognize that
14 in many aspects of our life the question of cost is
15 simply a matter of passing it off to the ultimate con-
16 sumer. We see that in administrative processes all
17 over the continent.

18 Q. But you know of no better incentive than
19 profit and loss in that system?

20 A. I think it is a very good incentive.

21 Q. But you know of no better?

22 A. I don't know why you are trying to develop
23 this point with me, but I will content myself by saying
24 I think it is a very important one.

25 Q. But you still don't know of any better?

26 A. I know of one motive which should never
27 be absent from our minds, and that is the question of
28 public interest, and that bears greatly on the matter
29 of efficiency.
30



1 Q. Don't you think public interest is best
2 served by profit and loss?

3 A. Not necessarily and automatically, I am
4 afraid. Lord Shaftesbury would never have bothered to
5 pass his Factory Acts if that had been the case.

6 Q. Mr. Premier, you made some reference to
7 Lord Shaftesbury, and in your submission you also made
8 some reference to the thirties: you quote from the Duff
9 Report and Jackman's book having to do with the thirties.
10 Now, your vision is not a return to the hungry thirties
11 in the immediate future, is it, Mr. Premier?

12 A. I think you can say the answer to that
13 is "No"; I do not wish to return to the hungry thirties.

14 Q. And you don't think you are going to
15 return under stable government?

16 A. It is my firm conviction that under the
17 present administration we will do well.

18 Q. Would you agree that under any type of
19 government Canadians can look forward to continuing
20 expansion, to greater prosperity and greater volume of
21 trade?

22 A. I sincerely hope that is right.

23 Q. Would you also agree that the situation
24 in Canada is markedly different than it was in the 1930's?

25 A. That is true.

26 Q. And would you agree that as a result of
27 what has happened since the 1930's, and what is happening
28 in the last few years, and what you look forward to
29 happening in the immediate future, that Canada has
30



1 largely grown into the railways?

2 A. Well, if you are trying to say that the
3 experience of the thirties has no relative lessons for
4 today, I would not agree with you in that respect.

5 Q. No, I am not trying to say anything. I
6 am trying to find out what you are saying. What I am
7 saying to you -- and asking you the question -- is this:
8 would you not agree that since the 1930's the expansion
9 that has taken place, and what may be expected to take
10 place under stable government, Canada has largely
11 grown into its railways?

12 A. I think that if you are meaning by that
13 that we have more use to make of our railway system
14 now than then, I think that is perfectly true, but I
15 want to know what further conclusions you ask me to
16 draw from that general statement before I accept your
17 argument too far.

18 Q. I am not arguing, sir. I am just getting
19 what you think on the record.

20 THE CHAIRMAN: Well, you are getting close
21 to arguing, Mr. Sinclair.

22 MR. SINCLAIR: I will try, sir, to keep out of
23 that area.

24 Q. In regard to business principles, Mr.
25 Premier, will you agree that the railway business is
26 no different from any other business?

27 A. No, I would not agree with that at all.

28 Q. In what respect is it different, as a
29 business?
30



1 A. Because the railway business has been set
2 up in Canada for a specific purpose in serving the
3 national interest as conceived by the Fathers of Con-
4 federation and others. It is not an ordinary business
5 in the general sense of the term. It is an interest
6 of national policy. Without the railways this country
7 could not exist as an economic entity. I don't think
8 you can say that about any other particular line of
9 business in general.
10

11 Q. But outside of its great importance to
12 the national interest -- what did you say, Mr. Mauro?

13 THE WITNESS: He is giving me some well con-
14 sidered thoughts which, if necessary, I will pass through
15 the filter of my own mind.

16 THE CHAIRMAN: Go ahead.

17 MR. SINCLAIR: Q. The question I was asking
18 was, outside of being more important than most businesses
19 to the national interest, basically there are no differ-
20 ences in the railway business than any other business;
21 would you agree?

22 A. If you are talking of the railway business
23 in a technological sense, there may be something in what
24 you say, but in my view of the matter it is not possible
25 to take away from the body of the railway structure in
26 this country the concept of the national interest. I
27 think it is not possible to do that.

28 Q. But that "in the national interest" is
29 best served by efficient railways?

30 A. It is best served by two things: efficiency,



1 and service to the people whom it is designed to benefit.

2 Q. And it is not designed to benefit all
3 Canadians?

4 A. I trust it is.

5 Q. And included in that would be the people
6 who work for the railways?

7 A. Oh, yes.

8 Q. The people who have invested their moneys
9 in the railways?

10 A. Oh, yes.

11 Q. Would you agree, Mr. Premier, that the
12 maximum benefit to Canadians from their rail transpor-
13 tation system would be one where there would be a
14 maximizing of the movement of traffic on the railway?

15 A. I doubt I would put it quite that way.
16 I would say the element of service to the people wanting
17 to use the railways is very important.

18 Q. Let me put it this way and see if you
19 agree: that the maximum benefit to Canadians arises
20 from the freest possible movement of its commerce to
21 export positions?

22 A. I think that is very important.

23 Q. And would you also agree that by the
24 maximization of facilities the lowest unit cost is
25 provided?

26 A. That might -- yes, I think that would
27 be correct.

28 Q. And would you agree that differential
29 pricing is a fundamental concept in our economy?
30



1 A. Explain that concept a little further,
2 please.

3 Q. Well, it is the kind of pricing they use
4 in the automobile business.

5 A. Well, that is a kind of good horse trade.

6 Q. I thought it was a businesslike approach
7 to move cars.

8 A. You have never tried to trade for a used
9 car or you would not make that statement.

10 Q. I have tried, but was never very success-
11 ful in getting a good deal, because they seemed to be
12 all working against me.

13 A. I can make some recommendations to help
14 you.

15 Q. Now, Mr. Premier, you do agree that basic
16 to this economy is differential pricing?

17 A. Yes.

18 Q. And that those principles of differential
19 pricing are fundamental to our economy and bring about
20 the greatest good to all?

21 A. I want you to go back and develop your
22 concept of differential pricing.

23 Q. You don't understand what it means?

24 A. I am afraid your reference to the auto-
25 mobile industry was not sufficiently inclusive for me
26 to understand.

27 Q. You don't understand what differential
28 pricing means?

29 A. I am asking you if you would be good
30



1 enough to explain.

2 Q. Well, the economist will give you the
3 answer.

4 A. Well, I am sorry to disappoint you, but
5 I can't even read it. You had better go ahead.

6 Q. Let me help you; I will see if I can read
7 it.

8 A. You carry on. We have enough trouble
9 with our own side here without ---

10 Q. Well, Mr. Premier, let us talk about some
11 individual matters. All traffic should not pay the
12 same per ton mile?

13 A. I think that is one of the accepted
14 principles.

15 Q. And that the rate of traffic should re-
16 flect in some degree the characteristics of the traffic
17 and its value?

18 A. I think so.

19 Q. And would you agree also that the ability
20 of traffic to move freely without a hampering effect is
21 an important matter in rate-making?

22 A. Yes.

23 Q. And that all these factors are taken into
24 account in fixing the rate?

25 A. Well, I wish they were, but I am not
26 altogether certain that all those factors are taken
27 into account -- at least to the degree that some of us
28 might wish.

29 Q. But it is basic to our system in rate
30



1 making that they are taken into account?

2 A. Yes.

3 Q. And you are in favour of that continuing?

4 A. I think so.

5 Q. You made a page 3 reference to a little
6 document we have seen before, Mr. Premier; it is a table.
7 You also have made note of the fact that you were at a
8 certain in camera hearing in Ottawa very recently --
9 within the last couple of years?

10 A. Yes, I had an opportunity to admire my
11 honourable friend in action that day as well.

12 Q. Well, I don't know whether you remember
13 that the position was that international rates had
14 already taken their increases and that is why they were
15 not taking a part of this, because that was the way
16 those types of rates were increased; do you remember
17 that?

18 A. No, I don't recall that, but I accept
19 your statement.

20 Q. So, in preparing this statement if you
21 remove international overhead, import-export and other
22 related traffic, it would have a changed effect on the
23 32 per cent to which you refer?

24 A. Yes.

25 Q. And also it would have a changed effect
26 if the statutory and related rates on grain moving to
27 export positions in western Canada were placed, we will
28 say, on a level twice their existing level, and could
29 bear part of the increase; that would have a material
30



1 effect?

2 A. Obviously if you increase any other rates
3 it would certainly alter the chart.
4

5 Q. Did you have a look, before you prepared
6 this, at an exhibit known as Exhibit 93 in this proceed-
7 ings?

8 A. I haven't personally examined it, no.

9 Q. Now, "payments under the Maritime Freight
10 Rates Act are given for the assistance of shippers in
11 the maritimes"; I think that is what you said?

12 A. What page are we on?

13 Q. Page 8. My question is, would you agree
14 that payments under the Maritime Freight Rates Act are
15 payments given for the assistance of shippers in the
16 Maritimes?

17 A. Yes. Diamond Junction, I think, is the
18 point.

19 Q. And would you also agree that the bridge
20 subsidy is assistance given to shippers for the movement
21 of certain commodities between eastern and western
22 Canada?

23 A. Yes

24 Q. And would you also agree that subventions
25 on feed grains and coal is assistance given to the
26 shippers of those commodities?

27 A. No, I think the assistance is given to the
28 livestock producers in British Columbia, Ontario and
29 Quebec, not to the producers of grain in western Canada.
30 I presume you are talking about that subsidy?



1 Q. Let us take the feed grain subsidy: you
2 don't think the feed grain subsidy is an assistance to
3 the shippers of that commodity?

4 A. I think, fundamentally, it helps the
5 producers of the livestock that consume that grain. I
6 would not deny there may be some peripheral advantages to
7 others.

8 Q. Peripheral?

9 A. That is the word I used. It may not be
10 very good.

11 Q. You don't think it is basic to the
12 shippers of the grain?

13 A. No.

14 Q. You think it is for the assistance of
15 the receiver?

16 A. I believe that is the main purpose of it.

17 Q. Coal subventions for the movement of coal?

18 A. I am not able to make any comment.

19 MR. MAURO: I wonder, Mr. Chairman, if Mr.
20 Sinclair heard me on two occasions this morning say that
21 we are going to place people in the stand who will give
22 Mr. Sinclair the position on the specific type of
23 movements, and the opinions as to those movements.
24 As to whether or not the Premier has to go through each
25 category and be asked what he thinks as to who is
26 benefitting under this and that -- I think it is unfair.

27 THE CHAIRMAN: I would think that the questions
28 directed to the Premier should be general more than
29 specific.
30



1 MR. SINCLAIR: I think I am trying to keep
2 them that way, sir, and I think he has indicated that
3 he can certainly look after himself, as every other
4 Manitoban can.

5 THE WITNESS: Touche.

6 MR. SINCLAIR: Q. Would you agree, Mr.
7 Premier, that the roll back that you made reference to
8 -- the roll back from 17 to 10 per cent -- is also
9 assistance given to the shippers of the commodities
10 to which that roll back applies?

11 A. I think that is correct.

12 Q. We could agree, could we not, that in the
13 light of the matters we have just discussed it is an
14 established policy in Canada that where assistance to
15 meet transportation cost is to be given it is to be
16 given to the shippers or on their behalf?

17 A. Yes, I think that is so, but I also think
18 that none of these subsidies are given without a thorough
19 examination of the whys and wherefores.

20 Q. Will you agree, Mr. Premier, that the
21 United States and Great Britain are more highly indus-
22 trialized than Canada?

23 A. I think that might be so, but I have no
24 direct information that would allow me to answer your
25 question.

26 Q. Will you also agree that the United States
27 and Great Britain have much larger populations than
28 Canada, both absolutely and in relation to their land
29 mass?
30



1 A. Indeed I would.

2 Q. And that Canada processes a smaller pro-
3 portion of its exports than do other countries such as
4 the United States and Great Britain?

5 A. I think that would be true in respect of
6 those two countries.

7 Q. Will you also agree, Mr. Premier, that
8 Canada exports a larger proportion of its total pro-
9 duction of raw material and finished goods taken together
10 than does the United States or Great Britain?

11 A. I would agree with that.

12 Q. In the light of those answers and those
13 facts we have discussed and agreed upon, would you expect
14 that transportation costs in Canada in relation to gross
15 national product, the total volume of production, or
16 any other general index, would be higher in Canada than
17 in the United States or Great Britain?

18 A. Well, they may be higher for those reasons,
19 but also for other reasons, namely, the geographical
20 character of our country. If all the wheat shippers
21 were situated on the ocean, as they are in some countries,
22 it would affect the situation.

23 Q. What countries do you have in mind?

24 A. Australia is a good example.

25 Q. Do you know what the transportation
26 charges are for a wheat shipper in Australia to the mar-
27 kets in Great Britain?

28 A. No, but they are extremely low.

29 Q. Do you think they are lower than for the
30



1 people from Manitoba to Great Britain?

2 A. Well, I would venture to say they would
3 compare rather favourably, because most of the wheat in
4 Australia is grown in the State of South Australia
5 fairly adjacent to the ocean ports, and also in
6 Queensland where there is a journey of probably ninety
7 miles from the Darling Downs to the port of Brisbane,
8 and one knows what sea rates are for grain.

9 Q. You think the grain growers in Western
10 Canada have a difficult job in marketing the grain in
11 relation to their competitors?

12 A. One only has to look at our surplus to
13 see we have a difficult job in marketing grain.

14 Q. And they have a difficult job in that
15 regard because of the nationalistic policies of the
16 grain-producing areas in Europe?

17 A. There is a whole fund of reasons why the
18 grain marketing situation is difficult; of that there is
19 no doubt.
20

21 -

22 -

23 -

24 -



1 Q. And, also, because of the policies adopted
2 in other large export countries like the United States
3 where there is dumping wheat into consuming markets
4 overseas?

5 A. That has been a difficulty in some in-
6 stances, yes.

7 Q. And the position of the Western Canadian
8 farmer, therefore, is that his economic position at this
9 time is such that he is in a difficult position in regard
10 to marketing his total crop?

11 A. Yes, I think that is so. We are not able
12 to market it easily.

13 Q. And so, therefore, in view of the tremen-
14 dous importance to the Western Canadian farmer, his
15 situation is one of concern to all Canadians, or should
16 be?

17 A. No one would dispute that.

18 Q. And anyone that can propose something
19 that would enable the Western Canadian farmer to continue
20 to market his crop under favourable conditions should
21 receive the support of all Western Canadians?

22 A. Provided that it is in the general
23 national interest. One could imagine a variety of
24 proposals that could help sell our grain crop which
25 would not be in the national interest, and which
26 responsible people would not care to support.

27 Q. As long as it would be in the national
28 interest, you would agree with my statement?

29 A. It would depend on the exact statement
30



1 and the proposal that was going to be put forward. I
2 think I can recognize the one which you would be willing
3 to suggest, and I think that is a matter which would be
4 open to question. You see, I have to anticipate where you are
5 before I answer your question.

6 Q. Well, I don't think you can ---

7 A. I am only going by what I read in the
8 press.

9 Q. I rather think we would get along faster
10 if you would not anticipate where I am going, because I
11 generally don't go where people anticipate me to.

12 A. Well, your questions are phrased in
13 such a way that they don't permit a Yes or No answer.
14 I have stopped beating my wife.

15 Q. If I asked anything like that, I would
16 ask those questions to be struck off the record.

17 Now, in relation to our discussions earlier
18 about the situation of the position of Canada in relation
19 to Great Britain and the United States, what is the point
20 that you are trying to make at page 9 when you compare
21 the proportion of transportation costs to the gross
22 national product for Canada versus the United States,
23 and Canada versus Great Britain?

24 A. I think we are trying to underline the
25 importance of this inquiry. I think that is one of the
26 main points we want to make.

27 Q. I was wondering if you weren't trying
28 to underline the importance of railway transportation
29 in this country?

30 A. I think that would be an equally valid



1 point to make.

2 Q. And in paragraph 26, at page 9 -- in
3 that paragraph you have calculated the transportation
4 costs of the prairie provinces on the basis of the
5 average cost per capita of transportation in the
6 prairie provinces being equal to the average for all
7 Canada. Correct?

8 A. I haven't got the place, but I presume
9 you are quoting from the brief, or paraphrasing it.

10 Q. Paragraph 26.

11 A. Yes, yes.

12 Q. At pages 19 and 20 of your brief you
13 suggest there are other rates in the rate structure
14 at the same level or lower than the level of statutory
15 rates on grain and grain products, and you also suggest
16 that these can be found by looking at the average revenue
17 per car mile. Pages 19 and 20?

18 A. Yes.

19 Q. Are you seriously suggesting, Mr. Prime
20 Minister, that in determining a reasonable rate level
21 it should be based on the average revenue per car mile?

22 A. I don't know whether I am qualified to
23 answer that particular question.

24 Q. You wish that question be put to someone
25 else?

26 A. I think that when our substantive case
27 is made in Ottawa we will be able to discuss that.

28 Q. Is Mr. Stechishin being called in Ottawa?

29 MR. MAURO: That is not any of my friend's
30



1 business -- whom we will be calling as a witness. He
2 will be given notice.

3 MR. SINCLAIR: Q. In other words, someone
4 other than you will be answering that question? Is
5 that what you mean, on advice of counsel?

6 MR. MAURO: That is right.

7 MR. SINCLAIR: Q. You referred to movements
8 of grain in Canada at rates as low as statutory. Do
9 you say that?

10 A. Yes, that is paragraph 48.

11 Q. Yes?

12 A. Yes.

13 Q. In Canada, you say? What have you in
14 mind there?

15 A. I think I can give you that material.

16 Q. Is that the Bay grain rates you have in
17 mind?

18 A. Which grain rates?

19 Q. From the Bay ports to Saint John on the
20 Canadian Pacific?

21 A. Yes, those are the rates.

22 Q. The one you have in mind is the movement
23 from the Bay ports to Saint John?

24 A. Yes, I believe that is the one referred
25 to there.

26 Q. Do you know that the movement of grain
27 from the Bay ports to Saint John on the Canadian Pacific
28 involves less than five per cent than the revenue de-
29 rived from the movement of grain at statutory grain
30



1 rates in Western Canada?

2 A. It may be so, but it does not alter the
3 argument.

4 Q. You are saying as a matter of principle
5 that you want to deal with this issue, in one case,
6 dealing with the statutory grain rate between, say,
7 thirty-five million and forty-million on Canadian
8 Pacific, and the other case, one and a half to two
9 million dollars on the Canadian Pacific? Is that
10 your position?

11 A. Our position is that if anyone wants to
12 discuss what they term, I think incorrectly,
13 depressed rates under the Crow and the statutory rates,
14 we would like that discussion broadened to all other
15 rates which might be determined to be depressed. They
16 not only include the shipments of wheat from those ports
17 to Saint John; they include some other matters mentioned
18 in the brief.

19 Q. You think that the railways should make
20 certain that they are getting a just and reasonable
21 level of rates on the movement of grain from the Bay
22 ports to Saint John?

23 A. I think that all these matters would need
24 to be put together, and I would object to one particular
25 part of the situation being considered, and not consider-
26 ing the rest.

27 Q. When I asked this question, when you had
28 the transcript in front of you, did you also note that
29 the railways were at this time considering that grain
30



1 movement? Did you know that they were, from reading
2 the transcript you had in your hand?

3 A. I didn't have any transcript in my hand,
4 Mr. Chairman, that I know of.

5 Q. Well, Mr. Mauro is handing you a transcript.

6 A. I think that when Mr. Mauro gets to Ottawa
7 you will be able to ask him that question.

8 Q. I am asking you. Did you know that the
9 railways were considering?

10 A. I am not aware of it, unless you tell me.

11 Q. I will put it on the record that there is
12 that evidence.

13 A. I hope you will broaden that statement
14 some day to include all the other items that come under
15 this particular heading.

16 Q. Rates that are as low, or as low as the
17 Crow rates?

18 A. Rates that are voluntary depressed rates.

19 Q. May I ask you what rate other than the one
20 we have just talked about, from Bay ports to Saint John,
21 that you know are comparable to Crow rates? Do you
22 know any?

23 A. I am not interested in trying to tell
24 you or the Commission that rates are comparable, to use
25 that term, to the Crow. I am merely interested in
26 drawing attention to the fact that there are rates
27 which appear to be voluntarily depressed. Whether or
28 not they are depressed as far as you allege some others
29 to be, I leave for examination.
30



1 Q. Right. Mr. Prime Minister, do you
2 know that the rates on grain from the Bay ports to
3 Saint John have been increased a number of times in
4 recent years as changing conditions and costs of
5 transportation require?

6 A. I would accept your statement for it. I
7 do not know it myself.

8 Q. In answer to Mr. Dickson, you suggested
9 that the Commission should look at the domestic grain
10 rate. Do you recall agreeing with Mr. Dickson in that
11 regard?

12 A. I don't think he asked me if we should
13 look at domestic grain rates. I think he brought the
14 matter to my attention that the grain rates were lower.

15 Q. Do the farmers pay these domestic grain
16 rates?

17 A. I would have to give that consideration.
18 I am not prepared to answer that.

19 Q. Well, farmers in Manitoba, Alberta and
20 Saskatchewan all sell their grain on the basis of the
21 Fort William or Vancouver price less the freight from
22 their selling point to those points; is that not
23 correct?

24 A. You can get into quite an argument as to
25 who pays it -- whether taxes are paid by the person
26 paying directly or passed on down through the line.

27 Q. On grain, you are not suggesting that
28 domestic grain rates being on a different level from
29 export rates changes the amount that the farmer receives
30



1 when he brings his grain to the elevator for sale at
2 a shipping point; are you?

3 A. I am not making any suggestion of that
4 sort. I will have to say that I cannot answer that
5 question categorically, and I would like to examine that
6 matter, because I am not sure just how far these charges
7 enter into the pooling operations that the Wheat Board
8 operate. You might ask that question of someone more
9 skilled in that trade.

10 Q. Now, Schedule D on page 21. Do you
11 suggest that this Schedule, plus Schedule E, shows that
12 Manitoba is penalized in the matter of freight rates?

13 A. I would say that our freight bills are
14 higher in the Province of Manitoba. I think that is
15 what the schedules purport to show.

16 Q. Now, Mr. Prime Minister, I do not want
17 to ask you some technical details on this, because I
18 recognize that this material was supplied to you and that
19 you have not checked it; have you?

20 A. I did not personally prepare the
21 material, but I trust I have reasonable familiarity
22 with it that if you were to ask me a technical question
23 that I cannot answer I will frankly tell you so.

24 Q. Will you tell the Commission whether the
25 rate under the column "Manitoba" is exactly the same
26 as the rating under the third column, "U.S.A."?

27 A. Now, I would call that a matter that
28 could better be discussed with the people who prepared
29 that table. I would ask that question be kept for
30



1
2 later on, to be answered by the person who prepared it.

3 Q. Wouldn't you agree that if a proper rate
4 on the same basis was not involved in the same way in
5 each of the three columns, the comparison would not be
6 meaningful?

7 A. I think there would have to be a reason-
8 able basis on which the figures were compiled, if they
9 were to be comparable.

10 Q. But any distortions would affect the
11 comparability?

12 A. I think that is right.

13 Q. And you have not checked as to whether
14 they were all prepared on the same basis, and the ratings
15 were the same?

16 MR. MAURO: The Prime Minister has not checked.

17 THE CHAIRMAN: He has said that already, Mr.
18 Sinclair.

19 MR. SINCLAIR: I'm sorry, Mr. Chairman.

20 Q. Now, looking at Schedule E for a moment.
21 You do not know how the adjustment for lengths of haul
22 was applied in the preparation of this? I think you
23 told that to my friend Mr. Brazier?

24 A. Yes. These statements were prepared by
25 I have several advisers.
26 my advisers, and/I did not prepare them myself, per-
27 sonally.

28 Q. Would you tell me who is responsible for
29 the document which you say is a "most interesting docu-
30 ment", and I am quoting your words?

A. Our technical advisers prepared it.



1 MR. MAURO: Now, for the third or fourth and
2 final time, I trust, Mr. Chairman, everything in this
3 brief, which we thought was rather fair on the part
4 of Manitoba in order to advise the Commission and
5 learned counsel, the entire scope of our submission is
6 going to be presented in Ottawa.

7 THE CHAIRMAN: I do not suppose there is any
8 secret as to who your experts will be?

9 MR. SINCLAIR: Q. Let's clear away the
10 mystery. Is Mr. Stechishin or Mr. Stenason responsible
11 for this document?

12 A. I am sure I cannot answer that question.

13 Q. Surely it wasn't Mr. Mauro that prepared
14 this document?

15 A. Mr. Mauro's talents are considerable. I
16 wouldn't put it past him.

17 Q. I certainly hope he is not responsible
18 for this.

19 Let me look at one of the items that you
20 referred to. By the way, before I take specifically
21 one, the one you mentioned was copper, nickel ores
22 and concentrates; and you emphasized that, Mr. Prime
23 Minister, 120 per cent disability for Manitoba?

24 A. Yes.

25 Q. Let's take a look at salt. That salt
26 that is moving from Manitoba -- is that household salt?

27 A. I don't believe I referred to salt.

28 Q. I know. It just happens to be a little
29 more than 120 per cent.
30



1 A. Oh, yes. I see it.

2 Q. Is that household salt?

3 A. Well, we have a salt manufacturing plant
4 at Neepawa.

5 Q. And it manufactures largely household
6 salt?

7 A. I cannot answer that question. It may
8 be agricultural salt.

9 Q. Would you think that most of the salt
10 that is moved in other parts of the country would be
11 highway salt and industrial salt, in larger proportions,
12 at least, than were coming out of Neepawa?

13 A. I don't think I referred to salt.

14 Q. I am asking you would you think that
15 that would be the fact?

16 A. I'm afraid I cannot answer that question.

17 Q. And if it was -- will you make the
18 assumption of it, that if this salt that is moving in
19 other parts of Canada consists of a large degree of
20 industrial salt and highway salt, then the amount to
21 and from Manitoba, that would certainly explain some
22 differences in the freight rates; wouldn't it?

23 A. Well, I would have to examine the detail
24 of your statement to know what to answer.

25 Q. In other words, you would agree with
26 me that you have to know a lot of things before you
27 can draw any real conclusion from Schedule E?

28 A. Not only would I say that, but I would
29 say we are prepared to give an answer about a lot of
30



1 things when we get the information from the railways on
2 some of these cost problems that we have.

3 Q. Well, for instance, let's take the one
4 you did mention -- that was copper, nickel ore and con-
5 centrates.

6 THE CHAIRMAN: I think we had better think
7 about adjourning, Mr. Sinclair, and since we are behind
8 our schedule, can you be here in the morning, Mr. Prime
9 Minister?

10 THE WITNESS: I am naturally at the disposal
11 of this Commission, but I would very much appreciate
12 either a few more minutes now or meet as early as you
13 would like in the morning. While I am naturally at
14 the disposal of the Commission, I do have other commit-
15 ments.

16 THE CHAIRMAN: Would nine-thirty in the morning
17 suit you?

18 THE WITNESS: Yes, I will be on hand.

19 THE CHAIRMAN: Thank you. Will that be all
20 right, Mr. Sinclair?

21 MR. SINCLAIR: As the Commission pleases.

22 THE CHAIRMAN: We will adjourn until nine-
23 thirty tomorrow morning, and ---

24 MR. MAURO: For the information of my learned
25 friend, I am calling as my next witness Dr. Morton, on
26 the precis of evidence on railway rates and national
27 policy 1849 to 1959, as Dr. Morton, as soon as the
28 Commission is finished with him, has to get back to the
29 university.
30



1 THE CHAIRMAN: You are calling him before Mr.
2 Parker?

3 MR. MAURO: I wanted to get through Dr.
4 Morton's testimony as soon as possible.

5 THE CHAIRMAN: We will adjourn until 9.30,
6 and possibly sit in the evening as well.

7 MR. SINCLAIR: Before the Commission rises,
8 in view of what you have just said, and I did notice
9 what you said this morning, I wish the Commission to
10 assist counsel -- and I am certain I am not only speaking
11 on my own behalf in this regard -- that they would direct
12 people who are going to file briefs to please try to get
13 them in two weeks in advance so that counsel are not
14 put under this tremendous pressure of getting them just
15 a few days before they have to deal with them.

16 THE CHAIRMAN: We gave directions, as you know,
17 in that connection, and human nature being what it is,
18 unfortunately people are leaving it until the last minute.

19 MR. SINCLAIR: Well, Mr. Chairman, the position
20 I am in is this: in view of the way they are coming to
21 us, I do not see that I should, unless I am forced to
22 do so, ask the witnesses to stand down so that whatever
23 assistance I can be to the Commission in cross-examining
24 them would have to be deferred. Particularly, with a
25 busy man like the Prime Minister of Manitoba, I cer-
26 tainly feel that we should all cooperate in letting him
27 get back to his regular duties, but there are people who
28 are presenting material that we may have to ask to stand
29 down.
30



1 THE CHAIRMAN: I agree there is no excuse
2 for some of the people not getting their briefs filed,
3 but we will have to deal with those as they come up.

4 MR. SINCLAIR: Thank you, sir.

5
6 ---Adjournment.

Mr. McLaughlin

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

WINNIPEG MAN.

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Legislative Assembly, Winnipeg,
Manitoba, on the 9th day of
February, 1960

COMMISSION

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Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



Winnipeg, Manitoba,
Tuesday,
February 9, 1960

---On resuming at 9.30 a.m.

THE CHAIRMAN: Gentlemen, it is now nine-thirty so we will start. The Commission is prepared to proceed with despatch.

HONOURABLE DUFF ROBLIN, resumed

CROSS-EXAMINATION BY MR. SINCLAIR (Cont'd):

Q. Mr. Prime Minister, at the adjournment last evening we were discussing the commodity group of copper and nickel in reference to your Schedules D and E, concerning which you made special reference during your testimony to the Commission.

Did you know, Mr. Prime Minister, that the 1958 Waybill Analysis, upon which your data is based, covered the movement of 411 cars in this commodity group?

A. Copper and nickel in Manitoba?

Q. No, the entire sample that was dealt with in the Waybill Analysis was 411 cars?

A. I am not aware of the quantity, but I do know that at the Little Lake copper and nickel mining operation, they all shipped their concentrates from that location to Fort Saskatchewan in Alberta for refining.

Q. That is right.

A. That may be the only one in Canada, for all I know.

Q. The entire study was based on 411 cars, and



1 the significant thing, sir, is that that Waybill Analysis
2 shows 379 of those 411 cars all moving in the east, only
3 moved an average of 16 miles; did you know that?

4 A. No, I am not acquainted with that.

5 Q. This would have a significant effect with
6 respect to freight charges, Mr. Prime Minister?

7 A. With respect to that item, yes.

8 Q. And under the circumstances involved in
9 a specific movement between specific destinations, you
10 would agree that it is dangerous to try a generalization,
11 would you not?

12 A. Well, I think one has to generalize when
13 speaking about the movement of freight. I am sure that
14 any particular item that is under discussion can be
15 looked at from various points of view, yes.

16 Q. And you have to approach generalizations
17 where there are particular circumstances with a great
18 deal of caution; you agree with that?

19 A. That has a bearing on it.

20 Q. And you also referred to gypsum. You
21 are aware, Mr. Prime Minister, that the movement of
22 gypsum to and from Manitoba was subject to a special
23 inquiry by the Board of Transport Commissioners about
24 two years ago, are you not?

25 A. It may have been; I am not familiar with
26 it myself.

27 Q. And are you aware that there was sub-
28 stantial criticism of the fact that gypsum movements in
29 Manitoba were receiving preferred preference?
30



1 A. I am delighted to hear it if we were
2 receiving favourable treatment.

3 Q. You wouldn't want to have unfair favour-
4 able treatment of the gypsum industry in Manitoba?

5 A. I don't know what unfair favourable
6 treatment is in this context.

7 Q. But if the Board so found, you wouldn't
8 disagree with the Board?

9 A. Not necessarily; I have disagreed with
10 the Board on a number of occasions, and about the
11 horizontal increases, they put that in over our dead
12 bodies.

13 Q. We will come to that later. They may
14 have been doing you a favour.

15 You are not asking and would not suggest to
16 this Commission that unfair advantage or undue preference
17 should be given to the movement of gypsum in Manitoba
18 as compared with the country in general?

19 A. No, I don't think I would ask that.

20 Q. And that the present rate in gypsum, the
21 ones to which you were referred, have been subject to a
22 very detailed inquiry?

23 A. Well, Mr. Chairman, if my honourable
24 friend is trying to draw out from me expert testimony,
25 I am afraid that will be difficult because I don't
26 claim to be an expert in any particular, and I think
27 that our presentation in Ottawa will go into those
28 matters and he can deal with it as he likes, and if he
29 thinks we are mistaken that may be the proper place to
30



1 examine the matter and examine the people who are more
2 qualified than I to give the answers and those people
3 who know the background of the matter in a technical
4 way, and which I don't claim to do, and perhaps they
5 will be able to satisfy my honourable friend.

6 THE CHAIRMAN: That seems reasonable.

7 MR. SINCLAIR: I think so, Mr. Chairman.
8 However, I feel I must ask the Prime Minister these
9 questions, and I only do it because he made specific
10 reference to these items when he was dealing with this
11 submission.

12 THE CHAIRMAN: You might relate your examina-
13 tion to the occasions which make your point, and then
14 leave the rest to Mr. Stechishin.

15 MR. SINCLAIR: Very well, Mr. Chairman. My
16 point, Mr. Chairman, so that it will be on record, is
17 this, and I will not ask the Prime Minister further
18 questions on it. It is that the Schedules D and E
19 require close analysis and substantial knowledge before
20 they can be applied, and it is our position for the
21 short time that I have had them before me, that they
22 do not put the full story forward.

23 THE CHAIRMAN: I have no doubt that you will
24 thoroughly analyse them.

25 MR. MAURO: I can assure my learned friend
26 they are going to go in in Ottawa and we are going to
27 support them, and we allege that they do properly show
28 the true situation.

29 MR. SINCLAIR: I am glad to hear that, and we
30



1 will look forward to that.

2 Q. Mr. Prime Minister, is it the position
3 of your Government that all the freight rates meet their
4 variable costs of providing service, and something in
5 addition, the contribution of these constant costs?
6

7 A. I think that would be the general position,
8 but you recognize that there may be instances in the
9 national interest where one doesn't achieve that.

10 Q. Would you agree that the contribution
11 of any segment of traffic over and above the variable
12 cost is a matter of judgment?

13 A. Well, I don't see why it can't be a
14 matter of more than judgment. I imagine that if one
15 went into it in a sufficient detailed cost analysis
16 that you would come pretty close to the situation.

17 Q. Is it the position of your Government
18 that freight rates should be made strictly on costs?

19 A. I think that is an important consideration.

20 Q. An important consideration?

21 A. But as I said before ---

22 Q. I am sorry, is that what you said?

23 MR. MAURO: Let the witness finish. If you
24 haven't heard him, ask him to repeat it.

25 THE WITNESS: Our view is that cost is
26 naturally a very important factor to be taken into
27 account in pricing any commodity. Our view, further,
28 is that there are instance where that is not the sole
29 or overriding consideration, the considerations which
30 wedescribed under the heading of national economic



1 policy, and that would bear on that point very heavily.

2 MR. SINCLAIR: Q. When we talk of cost,
3 you don't suggest that any traffic should move at less
4 than its variable cost or its out-of-pocket cost?

5 A. I think you would have to take a very
6 close look at it before you would permit that to occur.
7 Again, I repeat that there may be instances -- I don't
8 know -- where the national interest might dictate that
9 that should be done.

10 Q. Less than the variable cost, Mr. Prime
11 Minister?

12 A. When you are talking about variable cost,
13 will you explain that phrase a little more carefully for
14 me?

15 Q. I would define variable cost to be the
16 cost that is associated with that segment of traffic.

17 A. Well, I wouldn't change my statement.

18 Q. You still think that some traffic could
19 more or should move at less than that cost?

20 A. Well, I don't say that it could or should,
21 I say that it may. Take, for example, passenger traffic;
22 you can have a situation there where it moves at con-
23 siderably less than what a person would like in terms
24 of cost, and yet in the national interest it may be
25 desirable for it to do so.

26 Q. I will come to passenger traffic in a
27 moment. Let us keep on with freight traffic for a
28 moment. In regard to freight traffic, do you feel on
29 behalf of Manitoba that it should move at less than its
30



1 variable cost?

2 A. Well, I can't answer that question for the
3 simple reason that it is a generalization which I think
4 has to be related to the specific circumstances. There
5 might very well be an instance where I might be prepared
6 to advocate that.

7 Q. You don't know of any offhand?

8 A. None that I am prepared to mention at the
9 moment.

10 Q. Did you know, Mr. Prime Minister, that it
11 is the policy of the railways in pricing that if they
12 can't get their traffic to meet their variable cost and
13 something in addition, that they will forego the traffic?

14 A. It would seem to me under those circum-
15 stances they may think that the best thing to do.

16 Q. You wouldn't disagree?

17 A. In those circumstances, no.

18 Q. On page 30, paragraph 69, you state:

19 "The Government of Manitoba favours retention
20 of the Crow's Nest Pass grain rates and is
21 strongly opposed to any changes in this
22 contract."

23 Is it the position of the Government of Manitoba that
24 the Crow's Nest Pass Agreement in regard to freight rates
25 should be strictly applied?

26 A. I would say that is our general position.

27 Q. You can agree, Mr. Prime Minister, that
28 the basic measure of work done by the railways is gross
29 ton miles, can you?
30



1 A. Yes.

2 Q. Would you look at paragraph 73 of your
3 submission, please. There you make reference to the
4 relationship of gross ton miles to ton miles and
5 revenues for grain.

6 We are going now to passenger traffic, and the
7 relationship is passenger train miles to revenue, and I
8 have prepared a little statement here which I would ask
9 you to look at with me in which I have calculated gross
10 ton miles for both passenger and grain on the same basis.
11 I would ask that you accept the calculations in this
12 statement, Mr. Prime Minister, subject to check by your
13 experts later.

14 THE CHAIRMAN: There is no weighting on it at
15 all?

16 MR. SINCLAIR: I have taken the basis, Mr.
17 Chairman, that was adopted by the Prime Minister in his
18 submission, and using his basis I have put the passenger
19 traffic on a comparable basis as that which he did for
20 grain.

21 COMMISSIONER MANN: Is it usual to express
22 passenger in gross ton miles?

23 MR. SINCLAIR: Yes, the Prime Minister agreed
24 that that is the basic ---

25 MR. MAURO: Could we have it just for this?
26 I would like to have it explained how you express
27 passenger traffic in gross ton miles.

28 MR. SINCLAIR: It is very simple, Mr. Chairman;
29 passenger trains build up gross ton miles as do freight
30



1 trains, and the basic statistics of railways always
2 show them.

3 MR. MAURO: I would like to know how they
4 build up statistics on passenger service in gross ton
5 miles.

6 THE CHAIRMAN: I think we are headed for an
7 argument here.

8 MR. SINCLAIR: Mr. Chairman, I would ask to
9 have the statement taken into the record subject to
10 what ---

11 THE CHAIRMAN: It will be taken into the
12 record, and I am sure we can argue on it later.

13 MR. MAURO: I assume, having been able to
14 calculate the gross ton miles on passenger service, that
15 they should be able to give us the net ton miles on
16 passenger service?

17 MR. SINCLAIR: You want the net ton miles for
18 passenger service? It could be added.

19 THE CHAIRMAN: This can all come out when the
20 matter is further pursued.

21 MR. MAURO: We can work out the revenue per
22 net ton miles on passengers.

23 MR. SINCLAIR: I wonder if Mr. Mauro, who
24 seems to be rather nervous about this statement, would
25 wait until he re-examines it.

26 MR. MAURO: I am not nervous, but he is
27 putting it through my witness and ---

28 THE CHAIRMAN: Well, my experience as
29 counsel and my experience with counsel indicates that
30



1 probably these interruptions aren't harmful.

2 MR. SINCLAIR: Q. Looking at that statement,
3 would you agree with me that to bring the relationship
4 of gross ton miles to revenue passenger into the
5 same relative situation as grain moving at statutory
6 rates, requires a doubling of the grain rate?

7 A. You are referring to that paragraph 2
8 of this statement?

9 Q. Yes.

10 A. Well, that is your calculation.

11 Q. That is what the statement shows.

12 A. I don't know what the statement means.

13 Q. That is what the statement shows?

14 A. Yes, that is what the statement shows;
15 it is an exercise in arithmetic to me so far.

16 Q. You may feel it is an exercise in arithme-
17 tic, Mr. Prime Minister; we can argue the weight to be
18 given that at a later date.

19 MR. MAURO: My learned friend will take
20 notice that due to my excitement that he can ease my
21 conscience if these additional figures are put into
22 the statement.

23 MR. SINCLAIR: My friend can do what he likes
24 to his own witness at such time.

25 MR. MAURO: It is not my witness. I wanted
26 the statement completed, and he tells me that he can
27 work out the cost of ton miles on passenger service,
28 and we want the figure put in and we also want net ton
29 miles put in.
30



1 MR. SINCLAIR: Q. Now, Mr. Prime Minister,
2 so that there will be no possibility of disagreement
3 between you and me ---

4 THE CHAIRMAN: I see, Mr. Sinclair, your ques-
5 tion, and the real argument between you and Mr. Mauro is
6 as to whether the passengers and freight can be compared
7 on the same basis.

8 MR. SINCLAIR: That may be.

9 THE CHAIRMAN: That is a pleasure which we
10 have in store.

11 MR. SINCLAIR: That may be.

12 Q. Mr. Prime Minister, so that we may agree
13 easily, I ask you to assume with me that a given segment
14 of line has moving over it one commodity that is 75
15 per cent or more of the total traffic on that segment
16 of line, and you would agree with me, would you not,
17 that in these circumstances the justification for the
18 maintenance of the line is the traffic that makes up
19 that very large proportion.

20 MR. MAURO: The Province of Manitoba, Mr.
21 Chairman, as my learned friend knows, has gone to con-
22 siderable expense in hiring experts to discuss among
23 other things the catch phrase called "basic to the
24 plant" and we anticipate that we will spend a consider-
25 able amount of time in Ottawa, both in our cross-
26 examination of Mr. Stenason and Mr. Bandeen, and in my
27 learned friend's cross-examination of Mr. Banks on this
28 particular point, and I find it very difficult to
29 believe that my learned friend should expect the Prime
30



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1 up such a large proportion of the total?

2
3 (Statement presented to witness was
4 not filed as an exhibit)
5
6
7 -
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30



1 A. It might very well be the case, but
2 it need not necessarily be the case. The other traffic
3 travelling over the line may be valuable in itself.
4 The other traffic may make the line worth maintaining
5 without reference to the 75 per cent, or, most cer-
6 tainly, it would be taken into account. If, for
7 example, the 75 per cent or the fact that one particular
8 commodity was moved may be the justification for the
9 establishment or the settlement of the whole area, in
10 that case all the other traffic generated because of
11 that certainly should go to the credit of that particular
12 commodity in justifying the existence of the line.

13 Q. Quite so, and if the credit was given
14 would you agree that the justification for its con-
15 tinuance and its maintenance is the basic traffic --
16 75 per cent -- if the other traffic is given credit?

17 A. I think I made my statement clear the
18 first time.

19 Q. Thank you. Is it the position of the
20 Government of Manitoba that passenger train services
21 should not be a burden on freight services?

22 A. Yes, generally speaking that is the
23 suggestion we are making.

24 Q. Would you agree that if ---

25 A. I just correct that to observe that we
26 are talking about the trunk lines in this connection?

27 Q. I would ask you to turn your mind to
28 passenger services generally for the moment, if you
29 would. I want to put this before you: would it be the
30



1 position of the Government of Manitoba that passenger
2 train services should not be a burden on freight ser-
3 vice?

4 A. I think we would like to stop with what we
5 said in our brief when we made reference to trunk lines.

6 Q. Is there some passenger service you think
7 should be a burden on freight service?

8 A. We think we can distinguish between the
9 two, and we are drawing attention to that particular
10 type.

11 Q. May I put my question again: is the
12 position of Manitoba that passenger train service should
13 not be a burden on freight service?

14 A. The position of the Province of Manitoba,
15 I think, is set out in our brief, and I have already
16 stated it.

17 Q. You don't think you could give me an answer
18 to that question?

19 A. I do not wish to go beyond the brief in
20 that matter.

21 Paragraph 85 is the one that gives our view.
22 May I just refer to it again:

23 "As to passenger services, in this context
24 we wish to distinguish between trunk line opera-
25 tions and branch line operations. We are not
26 in a position here to define the distinguishing
27 characteristics but we are satisfied that the
28 two types of operations in fact can be dis-
29 tinguished. With regard to the trunk line
30



1 passenger services, the ideal situation would be
2 one wherein the railway passenger service would
3 yield sufficient revenue to meet the fully
4 distributed costs of providing that service
5 but since the ideal is apparently not attainable,
6 we submit as follows:
7

8 "Firstly, that the railways should continue
9 to achieve efficiencies by the elimination of
10 duplicate services and by whatever other means
11 are available to them.

12 "Secondly, as to the actual net losses
13 resulting from trunk line passenger and related
14 services, if such services are deemed to be
15 in the national interest, then these losses
16 should be met from the federal treasury.
17 These losses for all future purposes, and in
18 particular for the purpose of setting freight
19 rates, should be removed from the accounts of
20 the railways. The 'national interest' can be
21 determined by the Board of Transport Commis-
22 sioners."

23 Q. Now, in the light of all that, is it the
24 position of the Government of Manitoba that passenger
25 train deficits should not be a burden on freight ser-
26 vice?

27 A. Well, I may say nothing further than
28 what I have just read to my friend.

29 Q. Mr. Premier, if a passenger train run
30 was in a deficit position, and the railways applied to



1 abandon that passenger train service, would you agree
2 that the onus on anyone opposing the application
3 should be on that man to oppose it?
4

5 A. That seems to be an axiom.

6 Q. Let me take it one step further: would
7 you agree that if a passenger train service was at a
8 deficit position that anyone who wished to keep it
9 would carry the burden of proving that it should be
10 kept in operation?

11 A. I think so, particularly with reference
12 to the type of trunk line operation we are referring to.

13 Q. Any kind of passenger service?

14 A. I think for any service, if they wish to
15 abandon it, those who oppose it have to come forward
16 and give their reasons.

17 Q. And the onus is on them, would be your
18 position, and that the service should be abandoned
19 if the onus is not met by those opposing it?

20 A. That is a matter for the Board of
21 Transport Commissioners to decide.

22 Q. I am suggesting to you that possibly
23 you would agree it would be in the interest of everyone
24 if that were the situation?

25 A. Yes, without taking into account this
26 concept that we have been trying to introduce of the
27 national interest in this matter. What I am trying
28 to say is, I don't think the Board would consider
29 solely this question as to whether or not it paid.
30 They would have to consider the other circumstances.



1
2 Q. Well, the person who alleged that it was
3 in the national interest should have the onus -- statu-
4 tory onus of proving that the service should be maintained
5 and should have the statutory onus of proving it is in
6 the national interest?

7 A. I don't know about statutory, but I think
8 they would certainly be obliged to come and say what
9 their reasons were.

10 Q. I am going further than that; I am putting
11 a statutory onus on them; would you agree?

12 A. I have to consider that. I don't know
13 whether I agree with it at the moment or not.

14 THE CHAIRMAN: In a nutshell, Mr. Premier,
15 your contention is that the national interest is para-
16 mount?

17 THE WITNESS: That is right, sir.

18 THE CHAIRMAN: And that any branch of service,
19 passenger or freight, if it is in the national interest,
20 then the nation should consider in that event subsidiza-
21 tion in some form?

22 THE WITNESS: That is the general position.

23 THE CHAIRMAN: In a nutshell that is what you
24 say?

25 THE WITNESS: Yes, sir.

26 MR. SINCLAIR: Q. Have you in mind any
27 passsenger train service that you think is in the
28 national interest?

29 A. I don't think it would be profitable to
30 draw me into a question of detail of that sort. I am



1 trying to lay down certain policy considerations, and I
2 don't think I can help my friend in trying to apply
3 them to a particular circumstance.
4

5 Q. You have not any specific example in mind
6 at this time?

7 A. I have none that I care to mention.

8 Q. If experienced transportation people, or
9 an experienced transportation person, took the position
10 that there were no passenger train services in the
11 national interest, would you disagree with him?

12 A. Well, I have never heard anyone make a
13 statement of that sort, and I don't know what sort of
14 hypothetical situation you are referring to, but, it
15 seems to me, one is always entitled to question the
16 opinion of experienced transportation personnel, or
17 experienced personnel of any sort.

18 Q. Would you be prepared to question the
19 experienced transportation person who would state that
20 he knew of no passenger train service that was in the
21 national interest?

22 A. I most certainly would.

23 Q. But you don't know of any specific one at
24 the moment?

25 MR. MAURO: As soon as my learned friend
26 divulges all the information we have asked for on
27 passenger deficits, we are going to earmark any number
28 of them.

29 THE CHAIRMAN: We are back on the old question
30 again.



1 THE WITNESS: There is one thing you learn
2 in politics, and that is that the expert is not always
3 right. That does not mean to say that the non-expert
4 is always right, but I think expert opinion always
5 profits when examined by people who are relatively
6 inexperienced. The expert has a tendency, quite
7 naturally, to be concentrated on the problems of his
8 own calling, but it is the job of people who are not
9 expert, sometimes, to bring a wider consideration to
10 the problems involved.

11
12 MR. SINCLAIR: Q. May I compliment you on
13 that. I would suggest that you analyse it in the
14 record and really, some time, say what it really meant.

15 A. I think that is a perfectly clear state-
16 ment, sir, and while I don't claim to be as experienced
17 in public life as many men, that has been the fruits of
18 my experience to date.

19 Q. Let me ask you this, to be more specific:
20 if an aeroplane, a bus or private cars were available,
21 and a passenger train service could not meet its cost,
22 there would be no justification, in your opinion, for
23 maintaining that other than the national interest; would
24 that be correct?

25 A. I think that is right. I am just going
26 to stop here because when my learned friend -- Mr.
27 Chairman, I am being asked to make statements here in
28 absolutes, and again, as a politician, that is something
29 I don't like doing because I often find there are many
30 considerations which are not brought out in a simple



1 question, and it would seem to be perfectly logical to
2 answer in the affirmative that in most circumstances it
3 would be correct, but that does not mean to say that in
4 every circumstance that affirmative answer would be
5 correct.

6 THE CHAIRMAN: There may be exceptions to
7 every rule.

8 THE WITNESS: I am afraid there are, sir, yes.

9 MR. SINCLAIR: Q. Mr. Premier, last year
10 Canadian Pacific applied to the Board of Transport Com-
11 missioners for authorization to abandon passenger train
12 services, trains Nos. 41 and 42 between Winnipeg and
13 Edmonton: did the Government of Manitoba support the
14 Canadian Pacific in the elimination of the three-quarters
15 or more million dollars involved?

16 MR. MAURO: The Government of Manitoba did
17 not support the C.P.R. nor, so that my learned friend
18 will not anticipate it in the future, are we going to
19 support the C.P.R. in their applications for abandonment.
20 However, the Government of Manitoba did not take any
21 position opposing.

22 THE CHAIRMAN: Did not appear on the appli-
23 cation.

24 MR. MAURO: That is right.

25 MR. SINCLAIR: Q. In view of your interest
26 in efficient railway operation, Mr. Premier, are you
27 concerned with the many months that have elapsed since
28 the Board dealt with this application and has not reached
29 a decision?
30



1 A. I don't know that my opinion is of great
2 interest in this particular matter. I am not informed
3 as to the reasons for the delay, and I feel any
4 criticism from me on this point would be entirely
5 gratuitous.

6 Q. You are not concerned with long delays
7 after hearings into all the merits?

8 A. One must allow the judges to judge.

9 Q. You would agree, would you, that before
10 a decision was made as to the abandonment of any branch
11 line all traffic moving over that branch line should
12 be moving at just and reasonable rates, and credit
13 for such a level of revenues should be taken into
14 account?

15 A. I am sure that those are technical
16 matters concerned with the abandonment of a branch line
17 on which I have no right to state an opinion. As long
18 as my friend will include my concept of the national
19 economic interest, then probably he and I will not
20 disagree too much on the technicalities of the opera-
21 tion.

22 Q. Let me put this to you again, Mr.
23 Premier: I know you are trying to be helpful to the
24 Commission. In considering the abandonment of any
25 branch line, revenues should be based on just and
26 reasonable rates for the traffic moving over that
27 branch line; do you agree with that?

28 A. Yes, if you are willing to define the
29 expression "just and reasonable rates". Those are
30



1 concepts which are very intangible.

2 Q. The just and reasonable rates I have in
3 mind are those that meet the variable cost and a fair
4 contribution to constant cost.

5 A. Yes, I think so.

6 Q. In the light of that, you would agree
7 with my statement -- would you?

8 A. Would you repeat that?

9 Q. Before there is an abandonment of any
10 branch line, the revenues which should be taken into
11 account are those based on a just and reasonable level
12 of rates, as I have defined "just and reasonable"?

13 A. Yes, that would be one consideration.
14 What the others are is open to argument before the
15 Board.

16 Q. Generally speaking, Mr. Premier, in your
17 opinion, federal government subsidies are not desirable
18 unless there is a demonstrative need?

19 A. I think that is true.

20 Q. And if subsidies are necessary to maintain
21 facilities that are local in nature, it is your position,
22 I take it, that the only administrative agency that can
23 justifiably pay the subsidy is the administrative agency
24 in the locality where the facility exists; correct?

25 A. That depends on the circumstances of the
26 case. There are cases where I think that would be true,
27 but I do not think it would be true in all cases.

28 Q. If there was a facility maintained for
29 local interest as distinct from a national interest, you
30



1 would not suggest a federal subsidy?

2 A. Oh, I guess I would. Take, for example,
3 the movement of coal: there is a heavy subsidy on the
4 movement of coal, and that is a local benefit in many
5 respects, but it is met by national subsidy, and I don't
6 complain. However, I also suggest it has the effect
7 of allowing the railway to move a very great deal of
8 a commodity that they would not move at all, so, in
9 one sense, they are the beneficiary of that subsidy.
10 So, I think the main reason why my honourable friend
11 may have trouble extracting what he may consider to be
12 more direct answers is because I think many of the
13 questions do not permit of direct answers.

14 Q. I am very happy with the answers, and I
15 am sure the Commission is too, because my only purpose
16 is to find out the position of Manitoba. Whether I
17 agree with you is something I will have the opportunity
18 to deal with at a later time.

19 A. Well, then, there is a meeting of minds.

20 Q. On page 42, Mr. Premier, you have a table:
21 you see the second line, "Number of locomotives"?

22 A. Yes.

23 Q. And you say as your source as to where
24 these figures came from, that that is the report of
25 Canadian Pacific, the annual report, and DBS?

26 A. Yes.

27

28

29

30



1 Q. Now, in 1948, which is the first column,
2 you show 1,831 locomotives?

3 A. Correct.

4 Q. And, 1958, you show 1,730 locomotives?

5 A. That's right.

6 Q. And the reports from which those figures
7 come, Mr. Prime Minister, show that that is a total
8 figure of locomotives and diesel units?

9 A. I am just having this pointed out to me,
10 that it includes 776 steam locomotives, 944 diesel units,
11 and 10 electric locomotives.

12 Q. Yes. Well, that is the 1958 figure?

13 A. That is the 1958 figure.

14 Q. Well, the 1948 figure will show only
15 48 diesel units. Now, you know, Mr. Prime Minister,
16 that diesel units operate with a locomotive to make up
17 a locomotive?

18 A. I think that is true.

19 Q. Therefore, you cannot have locomotives
20 and units and divide that into locomotive miles to
21 secure miles per locomotive, obviously?

22 A. Well, have we done so?

23 Q. Yes.

24 A. Well, to me, a locomotive is a loco-
25 motive. I am not a railroad man. If any of these
26 statistics are inaccurate, we would be happy to have
27 them set right.

28 Q. Just one more on this table. Would you
29 look down and see "Number of Operating Employees"?
30



1 A. Yes.

2 Q. You have got 75,176 in 1948; 70,817
3 in 1958?

4 A. Yes.

5 Q. Have you got that before you, sir?

6 A. No. I just have my own brief here.

7 Q. Well, now, I suggest to you that you have
8 included in your figure of operating employees employees
9 who are not operating employees and who have nothing to
10 do with the production of gross ton miles?

11 A. Well, that is something you had better
12 take up with the Dominion Bureau of Statistics, because
13 we are operating from their report. And unless they
14 changed the basis of their figures in the two years,
15 they appear to be on the same basis; the same footing.

16 Q. It is number of what kind of employees?

17 A. Number of employees.

18 Q. You have got "Number of Operating
19 Employees"?

20 A. Well, the top of the page is entitled
21 "Operating Statistics".

22 Q. And you think that you can translate
23 operating statistics as a general heading into a speci-
24 fic number of employees that are required to produce
25 gross ton miles?

26 A. Quite willing to be instructed by you,
27 sir, if it is not correct.

28 Q. Well, I would say to you that you have
29 included in your figures employees who have nothing to
30



1 do with the production of gross ton miles, and therefore
2 your gross ton miles per employee, sir, should be ad-
3 justed accordingly.

4 A. Well, I would say, in answer to that,
5 that the figures are on all fours in the two years, are
6 they not? What you say may be correct, but after all
7 the figures are on all fours for the two years, so that
8 while the absolute position may be different, the
9 relative one is not.

10 Q. But the purpose of showing these em-
11 ployees ---
12

13 MR. MAURO: The witness had just another
14 comment.

15 THE WITNESS: Yes. Looking at your report
16 for 1958, I find that according to the report of the
17 Canadian Pacific Railway, on page 4 ---

18 MR. SINCLAIR: Q. Yes?

19 A. Employees, all services, 82,853. And
20 the figure we are showing here is 70,817. Now, it
21 is something which could very well be looked into.

22 Q. I don't think, Mr. Prime Minister, that
23 your figures came from that report at all. I would
24 suggest to you that they came from Schedule 36, Sheet 3,
25 of the annual report to the Dominion Bureau of
26 Statistics, and I would suggest that what you have done
27 -- and I just want to bring this to your attention, for
28 this reason, that great care has to be exercised in
29 doing this -- that you have included in transportation
30 employees other than transportation employees.



1 A. Well, that may be. What you say may
2 be true. Our figures are taken from the Dominion
3 Bureau of Statistics. I have just had them in my hand
4 there, and there is obviously a difference of 12,000
5 employees between the Dominion Bureau of Statistics and
6 the annual report and the Dominion's figure is less.
7 But the point I would like to make is that if any con-
8 clusions are to be drawn from this chart, I think that
9 the relative comparison between the two years still
10 has some validity -- perhaps in absolute terms. But,
11 relatively, the number of employees was calculated on
12 the same basis, unless the Dominion Bureau of Statistics
13 has changed its basis without any notice, which I very
14 much doubt.

15 Q. But you could have efficiency and growth
16 of efficiency in the railway that would not be shown by
17 the comparisons you have made here. Would you not
18 agree to that?

19 A. That might very well be so, but I think
20 it doesn't invalidate in any way the point we have been
21 trying to make in our brief. When we are discussing
22 this efficiency of railways, we do not make any charges.
23 We do not say the figures were submitted as proof of
24 declining efficiency. We submitted them as proof
25 of the fact that a very large sum of money -- two
26 million dollars American-style -- has been spent in
27 the last few years on things that have a bearing on
28 this matter; and, as representative of the freight
29 rate payers that paid a great deal of the bill, we are
30



1 asking that there should be some demonstration that
2 the money was put to good use. And I think that is
3 our point, and I think that is something that the
4 Order in Council under which we are holding this dis-
5 cussion made some reference, as well.

6 Q. My point, Mr. Prime Minister, is in dealing
7 with figures you have to be very careful how you apply
8 it. We are agreed on that?

9 A. We can certainly agree on that.

10 Q. Looking at your tables on page 40 and page
11 41, you quote there a submission from the provinces to
12 Governor in Council on their appeal in the 7% Case.
13 You didn't happen to state there what was the result of
14 that appeal. After the statements made by the provinces
15 at page 41, do you know what the result of that appeal
16 was?

17 A. Do you think that matter is relevant to
18 the point we are making here?

19 Q. I would like to know. Do you know what
20 happened to that appeal of the provinces to the Governor
21 in Council?

22 A. All I know is that the provinces have been
23 singularly unsuccessful in appealing to the Governor in
24 Council, and I did not have much more luck than my
25 predecessors had in dealing with it.

26 Q. This appeal was dismissed; wasn't it?

27 A. I think that is correct.

28 Q. Notwithstanding the issues and the points
29 that are made at page 41, and after consideration of those
30



1 points by the learned Privy Council of Canada?

2 THE CHAIRMAN: That is within the knowledge
3 of the Commission.

4 MR. SINCLAIR: Thank you, sir.

5 MR. MAURO: I wish to say, Mr. Chairman, the
6 Prime Minister has mentioned that it is most unfortunate
7 that my learned friend has taken this as a call to defend
8 all of the efficiencies of the C.P.R. I think that the
9 spirit in which these figures were submitted to the
10 Commission by the Province of Manitoba was with a view
11 of trying to develop this facet of the terms of reference;
12 and my learned friend, I am sure, in Ottawa, will come
13 forward and explain what has happened to all of this
14 money and how, as Mr. Crump so aptly put it in Ottawa,
15 that the situation has degenerated to the point where
16 one has to run very quickly to be standing still; and
17 we do not put this forward in any critical manner.

18 THE CHAIRMAN: Well, I think we are all
19 in trouble. That is why we are sitting here.

20 MR. MAURO: We are trying to help the railways.

21 MR. SINCLAIR: Q. Mr. Prime Minister, you
22 would agree that the expensive rolling stock should
23 not be used for the storage of goods?

24 A. I have an idea, Mr. Chairman, that this
25 matter has been under some discussion recently. I do
26 not know much about this business, but it seems to me
27 that it has, and I think probably I would like to leave
28 that matter lay where it is at the present time.

29 THE CHAIRMAN: That represents an echo of
30



1 something we heard in Ottawa.

2 MR. SINCLAIR: Q. Prompt unloading of
3 railway equipment is necessary for efficiency, isn't
4 it, Mr. Prime Minister?

5 A. Well, from the railways' point of view,
6 I am sure it has an important bearing on their problems.

7 Q. The more promptly railway equipment is
8 unloaded, the greater the efficiency of the railway;
9 correct?

10 A. Well, there are several people to be con-
11 sidered, and it seems to me that the question of demur-
12 rage has been pretty thoroughly gone into, and as far as
13 I am concerned I think I am content to leave that matter
14 where the experts put it.

15 MR. SINCLAIR: I didn't mention demurrage.

16 THE CHAIRMAN: A rose by any other name!

17 MR. SINCLAIR: Q. You would agree, Mr.
18 Prime Minister -- and I think you stated this a little
19 earlier -- freight rates in the operation and maintenance
20 of railways and related subjects is a complex field
21 requiring continuing study?

22 A. That is a sound observation.

23 Q. You would also agree, Mr. Prime Minister,
24 that statesmen have difficulty in fully appreciating all
25 these complex matters?

26 A. Not only statesmen, but politicians as
27 well. I know what class I am in.

28 Q. Mr. Prime Minister, so there will be no
29 misunderstanding -- I know what class you are in, too.
30



1 A. You see, Mr. Chairman, I am a bit confused
2 because for the last two days I have been referred to in
3 a very august style, which I am not accustomed to,
4 because I have been Prime Ministered to death around
5 here, whereas in Manitoba it is more customary to
6 describe the leader of the House as the Premier. So
7 I really wasn't quite sure where my honourable friend
8 stood on this matter.

9 Q. Politicians and statesmen, Mr. Premier,
10 then ---

11 A. We will settle for that.

12 Q. --- are happy to leave the complex ques-
13 tions of freight rates and matters of that kind to de-
14 tailed continuing study?

15 A. Once the questions of policy have been
16 settled, I think that can be right.

17 Q. You filed an exhibit yesterday, No. 94.
18 Do you have that before you, sir?

19 A. Exhibit 94?

20 Q. Yes.

21 A. Yes.

22 Q. There are 27 items there?

23 A. There are.

24 Q. Can you point to any item there, Mr.
25 Premier, which involves payments to Canadian Pacific?

26 A. Well ---

27 Q. Payments to Canadian Pacific on its own
28 behalf?

29 A. Well, I imagine -- I don't know how you
30



1 classify the bridge subsidy -- whether that comes to you
2 on your own behalf or not -- but I think it is probably
3 put in there to be of assistance to railways generally.

4 Q. We agreed yesterday that that was for
5 the assistance of the shippers?

6 A. It seems to me somebody asked me if they
7 didn't really benefit the railways, too, and I think I
8 probably hazarded a guess that it did.

9 Q. That is the only one you had in mind,
10 then?

11 A. Well, what about item 15 on the feed
12 grain subsidy?

13 Q. That is 12, 15, 16 all involve payments,
14 as I would put it, to assist in the movement of com-
15 modities in Canada?

16 A. Yes, and the coal. What is 12 -- coal?

17 Q. That is the bridge subsidy.

18 A. Bridge subsidy is 12.

19 Q. 15 is western feed grain.

20 A. Yes, 15 is western feed grain.

21 Q. And 16 is coal.

22 A. 16 is coal, yes, and there may be other
23 items. For example on the 20 per cent on the assistance
24 under the Maritime Freight Rates Act.

25 Q. No. 7, sir.

26 A. No. 7.

27 Q. Yes, Maritime Freight Rates Act, No. 7.
28 Items 3, 4, 5 and 10. Would you look at those?

29 A. I am looking at them.
30



1 Q. 3, 4, 5 and 10?

2 A. Yes.

3 Q. That amounts to about 15 per cent of the
4 total of 220 millions?

5 A. It does.

6 Q. They were payments to or on account of
7 Canadian National?

8 A. Yes.

9 Q. And in 1958, Mr. Prime Minister, Canadian
10 Pacific paid something in excess of \$23 million of
11 income tax?

12 A. That is true, and I wish they had paid a
13 lot of other taxes to the municipalities of Western
14 Canada.

15 Q. All right. They have paid a lot of taxes,
16 Mr. Prime Minister -- I think you will agree -- throughout
17 Canada?

18 A. Well, I am getting complaints from a lot
19 of my municipalities in this province, and I think it
20 holds true in other western provinces where there are
21 certain taxation exemptions granted to the railways.
22 I know the city of Winnipeg feels that it would probably
23 be entitled to a little more than the ex gratia payment
24 it is allowed on the Canadian Pacific property here.

25 Q. But you will agree that the Canadian
26 Pacific Railway Company did pay very large taxes in
27 Canada in 1958?

28 A. Yes.

29 Q. You would agree that, in paying some
30



1 \$23 million in income taxes, Canadian Pacific assisted
2 in carrying national burdens?

3 A. Yes. That money went into the Con-
4 solidated Fund.

5 Q. Of the government?

6 A. Yes.

7 Q. For the benefit of all Canadians?

8 A. I trust so.

9 Q. You would agree, Mr. Prime Minister, that
10 the maintenance of Canadian Pacific as a private enter-
11 prise is something to be sought for?

12 A. I would agree with that.

13 Q. Mr. Prime Minister, you would agree that
14 Canadian Pacific has honourably discharged its obligations
15 under its original contract to build the Canadian Pacific?

16 A. I think, in general terms, yes, you did
17 that. We may be quarrelling about certain points, but
18 it has been a very successful transportation system and
19 filled a great national need.

20 Q. You would agree with this statement from
21 the Duff report, I take it, and I am reading from the
22 report just a little ahead of the part which you read
23 yesterday. It is at page 12, paragraph 25:

24 "As a result, the Canadian Pacific
25 Railway Company, the largest taxpayer in
26 Canada, has been subjected to the competi-
27 tion of publicly owned and operated railway
28 lines, supported by the financial resources
29 of the country. They had honourably discharged
30



1 A. I certainly would. I would be inclined
2 to add something to it, if I did anything, that I would
3 have made some reference to the enormous public support
4 that received, not only moral, but material
5 support from the government of the day, and that is a
6 situation that cannot be overlooked.

7 In fact, I would go so far as to say without
8 that all the rest of what follows in this paragraph
9 would never have been possible.

10 Q. You will agree without that aid it was im-
11 possible to attract private capital for the building
12 of the Canadian Pacific railway?

13 A. That is right; that is one of the pro-
14 blems you face with a large country and a small popu-
15 lation, there has to be partnership in many cases
16 between the state, represented by the government, and
17 the other people who are trying to develop the country.
18 I think that has been a characteristic of Canadian
19 development from the beginning.

20 THE CHAIRMAN: I think we should have a
21 recess now.

22 ---Short recess.

23 THE CHAIRMAN: Very well, Mr. Sinclair.

24 MR. SINCLAIR: Q. Mr. Prime Minister, I
25 will now ask you a question for clarification about the
26 matter of the segregation of rail and non-rail assets.

27 A. There is nothing further on this para-
28 graph we just finished reading.
29
30



1 Q. Not that I had in mind.

2 A. Well, perhaps I might add to it that I
3 think that this, perhaps, would have been strengthened
4 if it had made some reference to the fact that the
5 very large subsidies that were given to the Canadian
6 Pacific Railway in times gone by, and which in our view
7 are still continuing -- and particularly those that
8 some taxpayers in Manitoba make -- and those are under
9 consideration, and to use the words of the contract,
10 "in consideration of the completion and perpetual
11 and efficient operation of the railways by the said
12 company," and I just mention that to indicate that in
13 our view of the matter that particular consideration
14 should not be lost sight of.

15 Q. You agree that there are involved in this
16 contract to which you refer, certain questions of legal
17 interpretation, and it is not my intention to discuss
18 them with you but I think it would be better to leave
19 that for a later date when Mr. Mauro and myself, on
20 behalf of the Canadian Pacific, can advance whatever
21 views we have.

22 THE CHAIRMAN: That was my suggestion earlier
23 this morning in reference to other matters, too.

24 MR. SINCLAIR: I think that I know the part
25 that is drawn to the Commission's attention by the
26 Prime Minister, and the interpretation of the contract
27 as a whole which I will be submitting on behalf of our
28 views do not accord with the views that are expressed
29 in your submission by Manitoba. I don't know if that
30



1 comes as any surprise, but in any event I don't think
2 it is a matter to be discussed now, but I am now
3 merely asking certain facts.

4 THE CHAIRMAN: You ask the questions and the
5 witness will give his clarification of the questions.

6 MR. SINCLAIR: Quite so. I am not in any
7 way suggesting that the honourable Prime Minister
8 shouldn't draw attention to the contract. Of course,
9 he should draw attention to the contract, and has done
10 so, and I also would say to the Commission that the
11 man who wrote the paragraph which I quoted was, as I
12 think everyone will agree, the greatest legal mind
13 Canada ever had.

14 Q. Now, I wish to ask you certain factual
15 things about the segregation of railways. Did you
16 know, Mr. Prime Minister, that the Board of Transport
17 Commissioners, the Turgeon Commission and the Privy
18 Council of Canada have on numerous occasions had this
19 question before them and have given it detailed study
20 and consideration?

21 A. Yes.

22 Q. And the existing situation is the result
23 of that detailed study and consideration?

24 A. That may be, but obviously there is some
25 doubt in the minds of the Privy Council as to whether
26 that is a proper situation, otherwise they would
27 scarcely have put in the terms of reference (d) which
28 definitely asks the Commission to look into that par-
29 ticular matter.
30



1 Q. Well, that clause, of course, is again
2 open to interpretation.

3 A. Well ---

4 Q. Let me ask you this ---

5 A. You can argue about that.

6 Q. Let me ask you this specific question:
7 would it be the position of Manitoba that if Canadian
8 Pacific lost money on ocean steamships, that automatically
9 their rates should be increased to offset that loss?

10 A. I think that one has to decide whether
11 you are going to take in the non-rail assets, or not, and
12 if you take them in, you take them in with all the
13 consequences that go with it. If you don't take them
14 in, then the situation is unchanged.

15 Q. So that ocean steamships which you show
16 at page 48 -- and by the way, Mr. Prime Minister, you
17 show that as a net profit of \$1,200,000-odd, and that is
18 a deficit of \$1,000,000, not a profit, and if you check
19 the report you will find that that is a deficit and is
20 so shown, not a profit; is that not correct?

21 A. I am informed that that is an error.

22 Q. Let me give you another example; say, in
23 1960 that Regina won the Grey Cup?

24 A. What improbable circumstances!

25 Q. Let me start again. Say, in 1960 that
26 Regina won the Grey Cup and it was played in Montreal
27 instead of in Toronto, and as a result there was a loss
28 to Canadian Pacific of hotel revenues that it did enjoy in
29 1959. Now, that would be occasioned in two ways, I
30



1 suggest. First, there wouldn't be as many people who
2 would go to the Grey Cup, as the people in Regina don't
3 have as much money as the people in Winnipeg, and the
4 Canadian Pacific doesn't have a hotel in Montreal.

5 Now, as a result of these circumstances that
6 I have put forward to you, do you think that freight
7 rates should be increased?

8 A. I think the question completely begs the
9 recommendation of the Province of Manitoba, and it is
10 that to which I wish to refer. If you will turn to
11 page 49 you will see what our recommendations respecting
12 non-rail assets are, and they have nothing to do with
13 a non-existent Canadian Pacific hotel in Montreal. We
14 ask the Commission to undertake a full examination of
15 the non-rail assets and earnings of the Canadian railways.

16 Q. If this resulted in the hotel business
17 having a loss, then freight rates should offset this
18 loss; is that your position?

19 A. Our position is that we want the whole
20 package looked at as a whole package.

21 Q. You have no specific recommendations in
22 regard to it?

23 A. That is right.

24 Q. Mr. Prime Minister, it would be the
25 position of your Government, would it not, that property
26 should not be confiscated by the state without compen-
27 sation?

28 A. Yes, I think that would be a fair policy.

29 Q. Well, Mr. Prime Minister, on behalf of the
30



1 Canadian Pacific I wish to thank you for coming before
2 this Commission, and I think if I may say so, that
3 this province of Canada is indeed fortunate to have
4 a man of your ability in public life, and for myself
5 personally I appreciate the opportunity that you have
6 given me of discussing transportation with you. Thank
7 you very much.

8 MR. MAURO: Are there any further questions?

9 THE CHAIRMAN: Mr. McDonald?

10
11 CROSS-EXAMINATION BY MR. McDONALD:

12 Q. I just have a few questions. First,
13 Mr. Prime Minister, I would like to compliment you on
14 the very excellent way in which you have presented the
15 case of the Province of Manitoba. While although we
16 don't agree with all your views put forward, it is
17 evident you have given the matter some very careful
18 thought and study.

19 Now, just for clarification, I have a few
20 questions. If you would refer to page 13 of your
21 submission, paragraph 33, you say:

22 "In short the situation which the Turgeon
23 Commission in 1949 found to be inequitable
24 and harmful to the economic well-being of
25 the nation has since that date become in-
26 tolerable, and it is our considered opinion
27 that this situation has tended to frustrate
28 national economic policy."

29 I am suggesting that is a fairly broad statement, and
30 I would like you to elaborate a little and give us some



1 examples.

2 A. Let me deal with the expression "in-
3 tolerable"; I think that has been indicated by the fact
4 that subsequent to our presentation and based on those
5 facts, the subsidy of \$20 million reducing the burden
6 on captive traffic was introduced, and I think it was
7 recognized by the federal government that the situation
8 is one that should not be tolerated and they took steps
9 to change it.

10 I would go further and say that in our sub-
11 mission the situation has tended to frustrate national
12 economic policy, and that is borne out by the mere fact
13 of the terms of reference of the Royal Commission before
14 whom we appear at the present time, and I think that
15 must be the consideration which motivated the Government
16 of Canada to set this Board up.

17 Q. Thank you. I just wanted you to elabor-
18 ate on that.

19 Then, pages 38 and 39, dealing with the branch
20 lines, the branch line trackage maintenance fund. Do
21 I understand the result of your submission here is,
22 what would the railways get out of this?
23

24 -

25 -

26 -



1 A. Well, in much the same way as I under-
2 stand they do under the \$20 million subsidy: they pre-
3 sent evidence to the government of having reduced their
4 freight bill to certain freight payers by a certain
5 percentage, and they have the difference made up to them.

6 Q. Yes.

7 A. That, I think, is the main principle
8 under which this system might be expected to work. I
9 am quite willing to say, though, that if others can
10 suggest more satisfactory ways for having it operate,
11 and get the effect it is aimed at, we are certainly
12 very happy to give consideration to those views.

13 Q. Just a few principles, and see if you
14 agree with them: my first is that I am putting it to
15 you that all freight rates should be made at a level
16 which will cover at least the variable cost of handling
17 traffic?

18 A. I think that would be highly desirable,
19 although one can contemplate instances which, in the
20 national interest, that rule might not apply.

21 Q. Following that along, Mr. Premier, there
22 would be certain freight rates that could not only meet
23 the variable cost but could assume a portion of the
24 constant cost?

25 A. Yes.

26 Q. And then another step, where other
27 freight rates could cover the full cost?

28 A. Yes.

29 Q. And then, the railway still has to make
30



1 a little money, after looking after the cost, and there
2 would be certain traffic that could stand a rate which
3 would cover not only the variable and constant costs,
4 but some fair allowance for profit?

5 A. I trust there would be some of those.

6 Q. Do you agree that all passenger train
7 services should earn sufficient to cover at least the
8 variable cost of their operation?

9 A. I think that could be very desirable
10 -- could be done.

11 Q. Then, dealing with branch lines, do you
12 agree that all branch lines should earn enough to cover
13 at least the variable cost of operation?

14 A. I think that would be the goal -- the
15 ideal which we would all work for, but I think we must
16 recognize that there are instances where that would not
17 be possible, and that is where this idea of ours comes
18 in.

19 Q. Thank you very much, Mr. Premier; that is
20 all I have to ask you. We will reserve our rights to
21 cross-examine some of your experts in detail.

22 A. I am sure they are looking forward to it.

23
24 BY MR. GOBEIL:

25 Q. Mr. Premier, on page 26, as an alternative
26 solution to horizontal increases you suggest a flat
27 increase on a cents per 100 pounds basis and a balancing
28 percentage. This looks attractive on paper, but in
29 practice would you apply that flat increase on every
30 rate?



1 A. I doubt that you could do that, sir. I
2 think this is put in here to illustrate a principle,
3 namely, that instead of using the horizontal rate in-
4 crease only that we should try to arrive at a different
5 formula which would make it possible for the burden to
6 bear less heavily on some who we think pay too much at
7 the present time, and the suggestion is that a combina-
8 tion of cents per 100 pounds plus a reduced percentage
9 would, mathematically, give the same result.

10
11 Now, we are the first to recognize that, in
12 fact, that simple solution may be inadequate in many
13 cases. You may have to adjust it one way or the other
14 with regard to the cents per 100 pounds and the per-
15 centage, and we must recognize that there may be classes
16 of traffic and classes of goods which move to which this
17 might not be applicable, and we have no hesitation in
18 saying this is merely the suggestion in its most simple
19 form, and we hesitate to say it could be applied in
20 this way on all traffic. We think it needs further
21 refinement by people who are in a better position to do
22 that.

23 Q. It would be hard to apply it, at least,
24 on the competitive rate and the agreed charges, wouldn't
25 it?

26 A. That would be the case, sir, but they
27 didn't bear the horizontal 17% increase, anyway, in
28 most cases. So, they are free of this at the present
29 time, and this would bear particularly on the so-called
30 captive traffic.



1 Q. If it is on the captive traffic, the
2 long haul, that is western traffic, so you are paying
3 the same -- the increase?

4 A. Well, there is a shift of burden here
5 between the long-haul shipper and the short-haul shipper
6 by this system, and the burden is shifted to some ex-
7 tent from the long-haul shipper. Some of the short-haul
8 shippers would pay a little more, but I think if you
9 look at the chart on page 3, which indicates the impact
10 of the horizontal type of freight rate increase, you
11 will get a pretty good idea of the people who are
12 affected by such a change. It is the class of non-
13 competitive commodity traffic which would be most
14 affected by such a change.

15 Q. And that non-competitive is mostly the
16 western traffic?

17 A. A great deal of it is, yes, sir, but
18 there are others besides the western traffic in there.

19 MR. GOBEIL: Thank you, sir.

20 BY MR. MANN:

21 Q. Mr. Premier, carrying on for one second
22 the thought that Dr. Gobeil has put to you, the sugges-
23 tion in having percentage increases replaced by this
24 different method of cents per 100 pounds plus per-
25 centages, was, I recall, first made by the Province of
26 Manitoba before the Board of Transport Commissioners
27 during the last freight rate case. I wonder whether
28 you might know if the Board has ever explored this
29 matter?
30



1 A. I don't believe the Board has explored
2 it, sir. I am not in a position to state that cate-
3 gorically, but we have seen no evidence that they have.

4 Q. Do you feel they should explore it?

5 A. Very definitely. If I may express an
6 opinion here -- and I realize how ill-qualified I am to
7 offer this comment -- but one gets the impression that
8 due to pressure of work, or what have you, a number of
9 suggestions which may or may not be fruitful, they
10 haven't given it the consideration that they feel they
11 might.

12 Q. Quite naturally, you have led to my
13 next question, which relates to the suggestion you make
14 towards the end of the brief for the creation of a new
15 investigating and research and planning body: do you
16 feel matters of this kind could better be handled by a
17 body such as you have in mind than by the regulatory
18 agencies?

19 A. Yes, I really think they could most
20 usefully look into matters like that, and while we say
21 a few harsh words about the Railway Board here in our
22 brief, we are not unmindful of the pressure under which
23 they too have to operate. That is why this other
24 suggestion is forthcoming.

25
26 BY THE CHAIRMAN:

27 Q. You realize, Mr. Premier, that the
28 Maritimes also regard themselves as being the long-
29 haul area?

30 A. Very much so, sir; I do realize that.



1 Q. What you are trying to do is keep in
2 mind the idea of revenues for the railways with your
3 suggestion?

4 A. That is correct.

5 THE CHAIRMAN: I don't think there is any-
6 thing more I wish to ask. We have been very pleased
7 you have come before us, and I think we have been very
8 pleased particularly with the knowledge you have of the
9 situation, and you have been of great assistance to us,
10 and I think we have enjoyed particularly the meeting
11 of these two University of Manitoba graduates. "The
12 battle of the bisons" somebody has called it.

13 Thank you very much.

14 THE WITNESS: That is very kind of you, sir.
15 I wish to say again, Mr. Chairman, the Province appre-
16 ciates the fact that you are engaged in this study, and
17 we hope some of our suggestions at least will provide
18 some food for thought, and I express the sincere
19 appreciation of the Government of this province for
20 having had an opportunity to express our views in such
21 a free and uninhibited manner.
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1 MR. MAURO: The next witness, Mr. Chairman,
2 is Dr. William Lewis Morton, and he will be presenting
3 evidence on a precis entitled "Railway and Railway
4 Rates in National Policy in Canada, 1849-1959."

5
6 WILLIAM LEWIS MORTON, called

7
8 MR. MAURO: Mr. Chairman, in my qualifying of
9 Dr. Morton I thought I would go through a bit of the
10 background, and Dr. Morton can signify whether what I
11 have read is an accurate statement.

12 Age: Born December 13, 1908, Gladstone,
13 Manitoba, Canada.

14 Education: Public and secondary schools of
15 Manitoba; St. John's College, University
16 of Manitoba; St. John's Baptist College,
17 Oxford.

18 Degrees: B.A. (Man.) 1932; B.A. (Oxon.) 1934;
19 B.Litt. (Oxon.) 1935; M.A. (Oxon.) 1937;
20 LL.D. (Toronto) 1958.

21
22
23 Publications: "The Red River Parish: Its Place
24 in the Development of Manitoba," Manitoba
25 Essays (Toronto), 1936); "Canada and the
26 World Tomorrow: Opportunity and Respon-
27 sibility" (pamphlet) (Toronto, 1943);
28 "Building Post War Canada," (pamphlet)
29 (Toronto, 1943); "The Extension of the
30 Franchise in Canada," (Report of the



1 Annual Meeting of the Canadian Historical
2 Association, 1943; "Prepare for Peace:
3 Canadian Foreign and Domestic Policy
4 after the War" (pamphlet) (Toronto, 1944);
5 "Direct Legislation and the Origins of the
6 Progressive Movement," Canadian Historical
7 Review, Sept., 1944; "Behind Dumbarton Oaks,"
8 (pamphlet) (Toronto, 1945); The Voice of
9 Dafoe (ed.) (Toronto, 1945); "Canada, and
10 Future Policy in the Pacific," International
11 Journal, January, 1946; "Clio in Canada: the
12 Interpretation of Canadian History,"
13 University of Toronto Quarterly, April, 1946;
14 "The Western Progressive Movement and Cabinet
15 Domination," Canadian Journal of Economics
16 and Political Science, May, 1946; "Marginal,"
17 Manitoba Arts Review, Spring, 1946;
18 "Progressive Movement, 1919-1921," Report
19 of the Annual Meeting of the Canadian
20 Historical Association, 1946; Canada's
21 Far Eastern Policy," Pacific Affairs, Sept.,
22 1946; Third Crossing: A History of the
23 First Quarter Century of the Town and
24 District of Gladstone, in the Province of
25 Manitoba (in collaboration with Margaret
26 Morton Fahrni) (Winnipeg, 1946); "The
27 Social Philosophy of Henry Wise Wood, the
28 Canadian Agrarian Leader," Agricultural
29 History, April, 1948; "Agriculture in
30 the Red River Settlement," Canadian Historical



1 Review, December 1949; The Progressive Party
2 in Canada (Toronto, 1940); "The Significance
3 of Site in the Settlement of the American
4 and Canadian Wests," Agricultural History,
5 July, 1951; "Manitoba Schools and Canadian
6 Nationality, 1890-1923," Report of Canadian
7 Historical Association, 1951; "A Note on
8 Palliser's Act," Canadian Historical
9 Review, March, 1953; "The Formation of the
10 First Federal Cabinet," Canadian Historical
11 Review, June, 1955; "Canada, 1841-1931,"
12 Current History, July, 1955; "The Bias of
13 Prairie Politics," Transactions of the Royal
14 Society of Canada, Section II, 1955;
15 Contributor from time to time to Encyclopedia
16 Americana, Encyclopaedia Britannica,
17 Encyclopaedia Canadiana; Alexander Begg's
18 Red River Journal and Other Papers Relevant
19 to the Red River Resistance (Champlain
20 Society, 1956); London Correspondence Inward
21 from Eden Colville, 1849-1852 (Hudson's Bay
22 Record Society, 1956); Manitoba: a History
23 (Toronto, Record Society, 1956); Manitoba:
24 a History (Toronto, 1957); One University:
25 a History of the University of Manitoba
26 (Toronto, 1957); The West and Confederation,
27 1857-1871 (pamphlet) (Ottawa, 1958); "The
28 History of Canada," Encyclopaedia Britannica,
29 1959; "The Art of Narrative," Culture,



December, 1959.

Teaching Experience: Lecturer in History, St.

John's College, Winnipeg, 1935-1938; Assistant Professor of History and Head of Department, locum tenens, United College, Winnipeg, 1938-1939; Assistant Professor of History, University of Manitoba, locum tenens, 1939-1940; Assistant Professor of History, Brandon College, Brandon, 1940-1942; Assistant Professor of History, University of Manitoba, 1942-1945; Associate Professor, University of Manitoba, 1945-1948; Professor of Canadian History, University of Manitoba, 1949--; Head, Department of History, 1950--; Assistant to the Dean of Arts and Science, 1947-1949; Acting Dean of Arts and Science, 1957-1958; Summer appointments: University of Manitoba from time to time; University of Saskatchewan, 1938; University of Minnesota, 1947; University of Michigan, 1950; University of British Columbia, 1958.

Honours, Offices, Grants, etc.: Annual under-

graduate scholarships of University of Manitoba, including Sir James Aikins Scholarship in English and Isbister Scholarship for general proficiency; Rhodes Scholarship for Manitoba, 1932; Member of Council of Manitoba Historical Society, 1944--; Member of Council of Canadian



1 Historical Association, 1946-1948; Secretary
2 of Dafoe Foundation, 1946-1957; Chairman,
3 Winnipeg Branch, Canadian Institute of Inter-
4 national Affairs, 1948-1950; Canadian repre-
5 sentative, editorial board of American
6 Association for State and Local History,
7 1950-1951; member of the Council of the
8 Champlain Society, 1952-1955, 1958--; Grant
9 in aid of research under Social Credit
10 Project of Canadian Social Science Research
11 Council, 1945-1948; Governor General's Medal
12 for Academic Non-Fiction, 1950; Member of
13 Editorial Board, Canadian Historical Review,
14 1951-1953; Grant for leave of absence,
15 Social Science Research Council of Canada,
16 1953-1954; Western Editor, Encyclopedia
17 Canadiana, 1952-1957; Member of Humanities
18 Research Council of Canada, 1952-1956, 1958--;
19 Member of Royal Society of Canada, 1955;
20 Executive Editor, "The Canadian Universities
21 Series; a History of Canada, I-XVI," 1955--;
22 Corresponding Member of the Institut d'Histoire
23 de l'Amerique Francaise, 1958; Acting Dean
24 of Arts and Science, University of Manitoba,
25 1957-1958; Chairman of Convocation and Member
26 of Corporation and Council of St. John's
27 College, Manitoba, 1958; Tyrrell Medal of
28 Canadian History, Royal Society of Canada,
29 1958; LL.D.(Toronto) honoris causa, 1958;
30



1 Honorary Fellow, St. John's College, Manitoba,
2 1958; Director, Board of Directors, Canadian
3 Broadcasting Corporation, 1958; Manitoba
4 Member, Canadian Editorial Advisory Board,
5 Encyclopedia Americana, 1958-1960; President,
6 Canadian Historical Association, 1959-1960;
7 Delegate to Commonwealth Scholarship Confer-
8 ence, 1959; Visiting Commonwealth Professor,
9 University of Wisconsin, 1960.
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1 Q. Is that a correct statement, sir.

2 A. Too long, sir, but quite correct.

3 THE CHAIRMAN: I think you have certainly
4 qualified your witness, Mr. Mauro. And I think also
5 that he has, from his qualifications, delved pretty
6 fully into western and Canadian history.
7

8 MR. MAURO: We are very proud of Dr. Morton's
9 accomplishments, Mr. Chairman.

10 Q. Dr. Morton, having made a study in
11 preparation of the precis which you have submitted
12 to us, I wonder if you could tell the Commission
13 whether or not there were any particular reasons why
14 the building and operation of railways in Canada were
15 a matter of public concern?

16 A. Mr. Chairman, you will allow me, before
17 answering the question, to say what an honour I feel
18 it is to be before you today.

19 Because of the extent of Canada, the dis-
20 persion of its natural resources, and the smallness of
21 its population and capital for investment, the building
22 and operation of railways in Canada has always been
23 a matter of greater public concern than it has been
24 in the United Kingdom and the United States. So
25 great has been the public concern that the building
26 and operation of railways has in fact been a funda-
27 mental and continuous part of the policy of national
28 development pursued by successive governments since
29 Confederation. The origins of that, as of other
30 aspects of national policy, indeed antedate Confeder-



1 Q. Professor Morton, did this public interest
2 which you have described extend beyond the field of
3 building and operation of railways?

4 A. Indeed it did. Deeply concerned as
5 the national and provincial governments of Canada have
6 been with the building and operation of railways, they
7 have been no less deeply concerned with the regulation
8 of railway traffics and railway rates. Such a concern
9 was necessary on order to ensure that the railways indeed
10 fulfilled their role in national policy by providing
11 the various regions of Canada with railway services on
12 terms and at rates equitable as between the public and
13 the railways and as between the different regions of
14 the country.

15 Q. Could you describe briefly, Professor
16 Morton, the historical background to the development
17 of construction, ownership and operation of a means of
18 transportation in Canada between 1845 and 1864?

19 A. The provincial governments of British
20 North America had built the main highways as public
21 works, highways such as the Montreal-Quebec North Shore
22 road, and Dundas and Yonge Streets. Toll roads were
23 little used and private turnpike companies were unknown.

24 The Canadian and Imperial Governments built
25 nearly all the canals of the St. Lawrence system as
26 public works. Those, such as the first Welland Canal,
27 which were built by private companies, received help
28 from government and were without exception taken over
29 as public works.
30



1 The magnitude of these works and the lack of
2 adequate private capital made state action necessary
3 and inevitable. Military needs often re-enforced
4 the need for state action.

5 The same considerations were to apply in a
6 varying degree to railway construction, ownership and
7 operation. As in the United Kingdom, public opinion
8 and government policy at the beginning of the railway
9 age were divided as to whether railways should be built
10 and operated as public works or as private enterprises.
11 In Canada, because of the size of the country, the
12 thinness of population and the lack of private capital,
13 and the imperative need of improved communications to
14 develop the country, the decision was rarely wholly
15 in favour of outright private construction, ownership
16 and operation. Private enterprise seldom proceeded
17 without state aid in one form or another. Thus the
18 Province of Nova Scotia built its first railway as a
19 public work, and the prolonged interprovincial dis-
20 cussions between 1846 and 1862 on the construction
21 with an Imperial guarantee of an intercolonial railway
22 always assumed that that political and strategic rail-
23 way would be built as a public work. A very simple
24 but telling expression was given to the Canadian
25 acceptance of this necessity of Canadian development
26 by Hon. A. G. Blair, Minister of Railways and Canals,
27 in the debate on the Crow's Nest Pass Agreement, when
28 he said:
29

30 ". . . it is imperative that the government



1 should lend a helping hand to the prosecution
2 of certain works, if the inexhaustible re-
3 sources which Canada possesses are to be
4 properly and sufficiently developed."

5 In the period before Confederation, that is, railways
6 were either built and operated as public works or a
7 private company was made an agent, or to speak more
8 precisely, a partner for the time being, of the state,
9 in providing railway transport.

10 Q. What of the policy followed by the
11 Canadian Government in the field of railway construc-
12 tion during this period?

13 A. Well, I think The Guarantee Act of 1849
14 is a clear example of the relation which was developing
15 between governments and private railway companies in
16 British North America. The Act begins by stating the
17 need of government assistance for railway construction
18 in a sparsely settled country where capital was scarce.
19 It provided that the government might guarantee the
20 bonds of any railway, once seventy-five miles had
21 been built, up to half the cost of the railway, at a
22 rate of interest not to exceed six per cent. Pro-
23 vision was made for a sinking fund and a mortgage on
24 the lines of which the bonds were guaranteed, although
25 in fact the Act was applied in a most flexible manner.
26 Municipalities were also allowed to assist railway
27 construction and were assisted to do so by the creation
28 in 1852 of the Consolidated Municipal Loan Fund.

29 The construction of the Grand Trunk Railway
30



1 was the outstanding example of how Canadian governments
2 aided the construction and operation of railways by
3 private companies to a degree which exceeded the help
4 given railways in the United Kingdom and even in the
5 United States. The company was given a bonus of
6 £3,000 a mile, about one-third the cost of construction,
7 and government support extended in other ways.

8 When the Grand Trunk encountered early
9 financial difficulties, guarantees of a new bond issue
10 at six per cent were made in 1855. In 1856 a further
11 guarantee and an outright grant were voted, and further
12 aid was given in 1857.

13 The construction of the Grand Trunk was an
14 act of provincial policy, designed to give Montreal
15 a share in the trade of the American Middle West and
16 a winter port in Maine by meeting the competition of
17 American railways and canals.

18 Q. You have now described, Professor Morton,
19 the general policy prior to Confederation. Was this
20 policy followed subsequent to the union of British
21 North America?

22 A. In principle, it was, sir. The union
23 of the British North American provinces was a complex
24 event, one element in which was the response to the
25 possibilities of commercial and political union that
26 the railway held out. A political union of British
27 America would improve its credit and permit railway con-
28 struction; railway construction would provide the
29 economic basis for political union.
30



1 It was fully recognized that a railway to join
2 the Atlantic to the central provinces and a Pacific
3 railway to incorporate Rupert's Land and British
4 Columbia were necessary if the union of all British
5 America was to be achieved.

6 I quote now from the report of the Royal
7 Commission on Dominion-Provincial Relations, 1940:
8

9 " . . . the coming of railways had made practi-
10 cable the hitherto vague project of acquiring
11 Rupert's Land and of linking up with the
12 colony (of British Columbia) on the Pacific.
13 They would also furnish winter access to the
14 sea through the Maritimes. By bringing this
15 area, stretching from sea to sea, under a single
16 government, vast new possibilities of expansion
17 would be opened. The trade of the Orient
18 would be tapped and a great internal market,
19 integrating the occupations and resources of
20 all the colonies, would be established."

21 The Atlantic railway was the Intercolonial
22 which had been projected since 1846. It was now made
23 part of the terms of union, and it was understood from
24 the first it would be built and operated as a public
25 work necessary to the union of the provinces.

26 The Pacific railway was no less necessary,
27 but was an even more complex and enormous undertaking.
28 The acquisition of the Northwest and union with British
29 Columbia had to be negotiated first. Then incom-
30 parably the longest railway of its time had to be built



1 over some of the most difficult terrain on the globe.
2 Manitoba entered Confederation on the understanding
3 that a railway would be built to connect it with the
4 outside world. Its public lands, like those of the
5 Northwest Territory, were reserved "for the purposes of
6 the Dominion," that is, for homestead and railway land
7 grants. When British Columbia entered the Dominion in
8 1871, the terms of union required the national govern-
9 ment to begin a railway to the Pacific within two years
10 and to complete it in ten; that is, by 1873 and 1883
11 respectively. Railway construction was thus an integral
12 part of national union and national expansion.

13
14 Q. Pursuant to these needs for national
15 union, Professor Morton, what action was taken by the
16 federal government?

17 A. The decision was made to have the road
18 built and operated by a private company, but with state
19 aid in the form of cash subsidies of \$25 million and of
20 a land grant of 25 million acres.

21 The first company floundered, however, before
22 the surveys were well begun in the political upset
23 known as "The Pacific Scandal" and the depression of
24 1873. The new government failed to find a successor,
25 and resorted to construction of the line piecemeal
26 as a public work and "as the financial resources of
27 the country permitted." The change of method meant no
28 change in national policy; the railway remained a
29 necessity and would be built, sooner or later, as a
30 public work or a private enterprise with state aid.



1 The change of government of 1878, the return
2 of prosperity and the initiation of a national policy
3 of tariff protection were followed in 1881 by a return
4 to construction by subsidized private enterprise.
5 The Canadian Pacific Railway Company, with a cash
6 subsidy of \$25 million (later helped out by loans)
7 and a land grant of 25 million acres (later in part
8 surrendered to the government for cash) and the gift
9 of the already built lines in Ontario, Manitoba and
10 British Columbia (of a value of \$31 million) undertook
11 to finish the railway and operate it.
12

13 In the debate on the Act of 1881 which
14 ratified the agreement with the syndicate that had
15 undertaken the task of completing the railway, Sir
16 Charles Tupper, Minister of Railways and Canals,
17 declared that "the great national work, the Canadian
18 Pacific Railway . . ." should be constructed ". . .
19 through the agency of a private company aided by a
20 grant of land and money." To that Prime Minister
21 Macdonald added that the company "would get a fair
22 and full return for all their risk, for all their
23 expenditure, and for all their responsibility." The
24 Canadian Pacific Railway Company, that is, was to
25 adopt a present day phrase, to be "the chosen instru-
26 ment" of national policy in fulfilling the purposes
27 and obligations of the Dominion. Not only was the
28 company to build the railway, however; in the
29 astounding language of the Act it was ". . . hereafter
30 and forever . . . to . . . efficiently maintain, work



1 and run the Canadian Pacific Railway." This obliga-
2 tion in perpetuity was made even more solemn by the
3 matching exemption of the company's railway property
4 from taxation in the Northwest Territories also in
5 perpetuity.

6 Q. Before going on, Dr. Morton, this was
7 a general policy followed by the national government --
8 this matter of land grants to assist the railways in
9 the construction of the project; the particular pro-
10 ject?

11 A. Yes.

12 Q. And, from your studies, this matter of
13 land grants subsequently became, I understand, a matter
14 of some concern, particularly in the western pro-
15 vinces, and there was -- quoting from a work "The
16 History of Prairie Settlement and Dominion Land Policy,"
17 by Morton and Martin, at page 329 -- I will read you
18 a portion and ask you whether or not you agree with
19 this statement:
20

21 "The last of the statutory railway land
22 grants were made to the Pipestone extension
23 of the C.P.R. and the Saskatchewan and Western
24 Railway on July 23, 1894. The Liberal govern-
25 ment which took office in 1896 not only dis-
26 continued the practice but publicly disavowed
27 the policy of land subsidies in aid of railway
28 construction. 'It is not a part of the policy
29 of this government,' stated the Minister of the
30 Interior in 1907 'to give land grants to railways.'



1 "There was one reason, perhaps, more im-
2 portant than "policy" for terminating land
3 subsidies and for liquidating outstanding land
4 grants already authorized to the railways.
5 There would soon be no more land grants to
6 give. The government, asserted Clifford
7 Sifton in 1906, had 'never stopped giving
8 land grants . . . until the land ran out.'
9 The ruthless scramble for eligible land
10 reserves was in itself a sign that the
11 supply of odd-numbered sections of land
12 'fairly fit for settlement' was nearing
13 depletion, while vast areas already 'earned'
14 or in the process of being 'earned' by
15 railway construction still remained to be
16 located. The last general revision of
17 the Dominion Lands Act, moreover, had been
18 made in 1886. The time had come not only
19 for a general revision of the statute but
20 for the relief of odd-numbered sections
21 which still remained unappropriated in
22 the 'great reservations made . . . for
23 land grants to railways.'

24 "Many defective features of the system
25 were liquidated or improved by steady
26 administrative pressure from the Department
27 of the Interior. Of all the land grants
28 to railways 'only 1,825,423 acres had been
29 patented' up to 1896 -- an expedient for
30



1 'evading taxation' which Western Canadian
2 municipalities have never ceased to number
3 among their political grievances."

4 A. Yes, I would concur in that statement.

5 Q. Would you go on, Dr. Morton, please?

6 A. The government of Canada emphasized
7 the national character of the line by requiring that
8 it be built across the national but uneconomic territory
9 north of Lake Superior. This decision was strikingly
10 justified when troops had to be moved to the Northwest
11 to suppress the Saskatchewan Rebellion. The whole
12 line to the Pacific was completed late in 1885 and
13 operation from Canada to the west coast began in 1886.
14 The line, private owned and operated as it was, was
15 thus a national line built as part of national policy
16 to fulfill national purposes.

17 Q. Was national policy or the public
18 interest limited, Professor Morton, to simply the
19 construction and operation of the railway?

20 A. No, it was not. The task of railway
21 construction seemed far more imperative in the first
22 generation of railway-building than did what rates
23 the railways might charge when in operation. In any
24 case, the economic philosophy of the day led to the
25 assumption that competition would protect the interests
26 both of the general public and of private persons.
27 It took some experience to reveal that competition was
28 often lacking or inadequate, either because an area
29 was served by only one railway, or because railway
30



1 companies combined to charge agreed rates. Railways,
2 moreover, might always discriminate among areas or
3 shippers in fixing their schedules of rates.

4 When public complaint began in the 1870's,
5 the Canadian government under the B.N.A. Act of 1867
6 had full jurisdiction over interprovincial railways.
7 It would also, in virtue of the part it had played
8 in bringing the railways of Canada into being, by
9 material aid no less than by legal creation, as well
10 as by working the doctrine of the public responsibility
11 of "common carriers", intervene to limit or regulate,
12 by law the rates charged by Canadian railways. This
13 was done by statute in 1879, and power was taken for
14 the Governor General in Council to limit rates to a
15 level which would permit the railway companies dividends
16 of no more than 15 per cent on capital expended on
17 construction.
18

19 Such a measure was obviously more important
20 in principle than in fact, but the principle was applied
21 more stringently in the charter of the Canadian Pacific
22 Railway in 1881, when by section 20, rates could be
23 limited to a level permitting dividends of 10 per cent
24 on capital expended.

25 The principle of public regulation, important
26 as it was, was not used in such a way as to create a
27 national policy of rate regulation. While there
28 seems no ground for belief that rates charged by
29 Canadian railways were exorbitant or unreasonable
30 compared with those charged by comparable (that is,



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1 American) railways, they were higher in western than
2 in central Canada because rail and water competition
3 existed in central Canada and not in the West.
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1 MR. MAURO: I wonder if you desire to take
2 a recess?

3 THE CHAIRMAN: Well, I think we might carry
4 on.

5 MR. MAURO: Q. Professor Morton, why was
6 rate regulation of importance to Manitoba and the
7 Northwest in particular?

8 A. The reason for this was partly the geo-
9 graphic position of Manitoba. Its remoteness, however,
10 was as accessible to American as to Canadian railways,
11 and it might theoretically at least have expected to
12 enjoy the benefits of competition. But another part
13 of Canadian national policy, and particularly after
14 1879, was the maintenance of a protective tariff. The
15 tariff of course operated to diminish the flow of goods
16 northward from the United States and so to diminish
17 the competitive capacity of American railways to haul
18 exports from Manitoba. The general effect was to make
19 Manitoba and the Northwest, as the Prairie Provinces
20 have remained, an area in which Canadian railways
21 are sheltered from the competition of American rail-
22 ways. Equity thus demanded some regulation of railway
23 rates to offset this consequence of national policy.
24 Even more urgent was the national need to encourage
25 a flow of wheat exports to market in order to pay for
26 the national development of Canada.

27 Q. Was Government policy effective in
28 removing inequities in the rate structure prior to
29 1897?
30



1 A. I would say not. In so far as the
2 inequality of rates between central and western Canada
3 was altered before 1897, it was not by government regula-
4 tion. The ending of the disallowance of railway
5 charters granted by the province of Manitoba and the
6 cancellation of the monopoly clause of the Canadian
7 Pacific charter in 1888, as a result of a bitter
8 political agitation, allowed the entry of the Northern
9 Pacific Railway to that province, but its competition
10 was very restrained and forced only a slight reduction
11 of rates in Manitoba.

12 Q. When did the national government first
13 ask to remove this disparity between east and west?

14 A. Not until 1897 did it become national
15 policy to seek to modify the monopoly position of the
16 Canadian Pacific Railway in the west and to seek to
17 reduce the disparity between the rates charged in central
18 and western Canada. In return for a cash subsidy and
19 a land grant for the construction of the Crow's Nest
20 Pass Railway in 1897 into southern British Columbia, the
21 Canadian Pacific Railway was required to reduce its
22 rates on specified commodities moving to western Canada
23 and on grain and flour moving east. These statutory
24 rates were the first, as they remain the fundamental
25 attempt, at achieving a national policy of minimizing
26 differentials in freight rates in the inter-regional
27 and export trade of Canada. The novelty of this aspect
28 of national policy, as well as its complexity, is given
29 in the classic statement by Frank Oliver, M.P. for
30



1 Edmonton, during the debate on the Crow's Nest Pass
2 contract in 1897:

3 "There is no question of 'railway or no
4 railway' in this country now, wherever the
5 circumstances will justify construction. The
6 question is solely one of rates and management
7 and it is because the railway rates have
8 been distinctly against the west in particular
9 and in general from the first that Manitoba
10 and the Territories have shown so much less
11 rapid progress than was expected when the
12 Canadian Pacific Railway was first aided.
13 It is for the same reason that the trade of
14 eastern Canada with the west has not increased
15 as was hoped at the same time, partly because
16 the trade is not there to be done, and partly
17 because, owing to the more advantageous rail-
18 road situation of the United States manufactur-
19 ing and commercial cities of Chicago, St. Paul
20 and Spokane, a large proportion of the trade
21 of the west is done with those cities. And
22 as the duties are lowered (i.e. by a Liberal
23 government) a proportionately greater share
24 of the trade will be done by them, unless
25 the rates of transportation between eastern and
26 western Canada can be reduced to a level very
27 far below what they have been. A general
28 and adequate cheapening of the rates from
29 eastern and throughout western Canada would
30



1 develop the west and enable the east to reap the
2 sole outside profit of that development. A
3 failure to bring down the rates to the point
4 of final effective competition with the lines
5 of the United States is to fall short of the
6 mark; is to continue to retard the west, and
7 to divide its trade between eastern Canada and
8 the United States, to the increasing advantage
9 of the latter. It is because of the uni-
10 versal recognition of this fact that the
11 prospect of a radical change in the constitu-
12 tion of the western transportation problem
13 was hailed with universal satisfaction through-
14 out the Dominion; and it has simply been taken
15 for granted by all parties that the Crow's
16 Nest Pass line must be built, not because of
17 the line itself, but because of the new
18 railroad policy of which it was to be at once
19 the announcement and the commencement."

21 Q. What was the pattern of railway con-
22 struction after 1897?

23 A. The construction of the Crow's Nest
24 Pass Railway begun in 1897, repeated the familiar
25 pattern of cash subsidy and land grants as already
26 noted.

27 In preceding year another established
28 pattern had been repeated when the Canadian Northern
29 began its extraordinary career, aided by the Province
30 of Manitoba. Provinces and municipalities had aided



1 railways as well as the Dominion, and the Canadian
2 Northern was to specialize in winning such help.

3 The rise of the Canadian Northern on the
4 crest of the swelling tide of prairie settlement was
5 accompanied by the growing interest of the Grand Trunk
6 in the Canadian West.

7 If the Dominion were to aid these new
8 bidders for the long haul freight of the West, it would
9 have been sound national policy to have brought the
10 old eastern line of the Grant Trunk into union with
11 the western upstart, the Canadian Northern.

12 This was not done, however, as it did not
13 seem as desirable then as it was to do later. The
14 Canadian Northern continued to collect guarantees, to
15 advance to the Pacific and to build through to central
16 Canada where it built or acquired lines. The federal
17 government made a policy out of the desire of the
18 Grand Trunk to enter the West and out of a host of
19 provincial ambitions in central and eastern Canada.
20 The Grand Trunk was to build from Winnipeg to the
21 Pacific by the agency of a subsidiary, the Grand
22 Trunk Pacific, and was to rent a national line to
23 be built by the government from Winnipeg to Quebec
24 City and to Moncton.

25 Prime Minister Laurier when he presented
26 the government's railway policy in Parliament in 1903,
27 put it forward as a transcontinental line wholly on
28 Canadian territory and serving Canadian ports. Such
29 a line, he affirmed was "a national as well as a
30



1 commercial necessity." Moreover, he continued, "we
2 consider that it is the duty of all those who sit
3 within these walls by the will of the people, to pro-
4 vide immediate means whereby the products of those
5 new settlers (in the Northwest) may find an exit to
6 the ocean at the least possible cost." Laurier,
7 using inflated rhetoric to defend an inflated scheme
8 of construction, recognized the national need to move
9 the grain of the prairies to the ports at minimum cost.

10 Both the Canadian Northern and the Grand
11 Trunk, with its subsidiary, the Grand Trunk Pacific,
12 despite extensive and repeated guarantees and grants
13 from federal and provincial governments, were bank-
14 rupted by the overbuilding and parallel building in-
15 volved in their gigantic and unregulated schemes.
16 To their ruin the rising costs of the war years gave
17 the final blow.

18 Q. There is a rather interesting comment
19 in Skelton's "Life and Letters of Sir Wilfrid Laurier"
20 on this particular matter, and I will read now from
21 page 193:

22 "In the country, the complexity of the
23 project at first stood in the way of acceptance,
24 but very soon its sweep and comprehensiveness
25 touched the interests of great numbers and the
26 imagination of many more. The country wanted
27 new roads and felt it could afford them.
28 Weaknesses were found in the government's
29 plan, but no feasible alternative was steadily
30



1 urged in its stead. The policy which time
2 has shown should have been followed -- a union
3 of the Grand Trunk, with its wide-reaching
4 connections and terminals in the East, and
5 the Canadian Northern, with its well-planned
6 prairie feeders, with government aid to bridge
7 the gap -- was not then so obvious. Sir Wilfrid
8 had the insight to realize that this would be the
9 wisest plan. He brought Mr. Hays and Mr.
10 Mackenzie together in his office in the attempt
11 to find a basis of union or cooperation. Sir
12 Charles River-Wilson, Chairman of the Grand
13 Trunk, and Mr. Hays held conferences with
14 Messrs. Mackenzie and Mann of the Canadian
15 Northern in 1902 and 1903, looking to this end,
16 but in vain. The old road, proud of its
17 four hundred millions of debt, despised the
18 upstart; the new, conscious of towering
19 ambitions and of local influence and knowledge,
20 underrated the old."

22 I suggest that that, perhaps, is an analysis
23 of the situation concerning ---

24 A. It is a nice way to feel.

25 Q. What of the national policy in the field
26 of rate regulation after 1897?

27 A. Here, of course, we are going into what
28 we call the modern or present day situation, and a
29 national policy of regulation definitely emerges.

30 The Crow's Nest Pass rates came into full



1 force in 1899. The Crow's Nest Pass Act had referred
2 to the setting up of a railway commission to regulate
3 rates generally. In 1903, as a result of studies by
4 Professor S. J. McLean, the commission was established
5 by the Railway Act of 1903.

6 Its work for the first years was light, as
7 the public demand was again for railway construction
8 rather than rate regulation, and consisted in the main
9 of considering discriminations among localities and
10 classes of shippers in the freight rates structure.

11 It did not, however, seriously modify that
12 structure in western Canada as it had been left by
13 the Crow's Nest Pass agreement. The chief modifica-
14 tion had been forced by the government of Manitoba, as
15 the producers of that province were not satisfied with
16 the reductions given by the Crow's Nest Pass rates.
17 The provincial government in 1901 made an agreement
18 with the Canadian Northern Railway by which, in return
19 for cash subsidies the railway substantially lowered
20 rates on grain hauled over its line by Rainy River
21 to Fort William. The Canadian Pacific was forced
22 to do likewise. One result was that from 1903 to
23 1918 not the Crow's Nest Pass rates, but lower ones,
24 were in force in western Canada.

25 In the Western Rates case of 1914 the
26 Railway Commission established maximum general rates
27 for the Prairie Section. These took account of the
28 need of the two new railways, the Canadian Northern
29 and Grand Trunk Pacific, for high returns in the
30



1 non-competitive areas of the West to meet their
2 mounting costs of construction and operation. The
3 "mountain differential" in British Columbia was main-
4 tained. The case is perhaps the outstanding example
5 of how the national policy of seeking to minimize
6 differentials in transport costs among the regions of
7 Canada has had to struggle with the real considera-
8 tions of physical obstacles, the need of private
9 companies for profit, and the difficulties of estima-
10 ting a fair return on railway investment.

11
12 The Eastern Freight Rates case of 1916
13 resulted in permission to raise rates east of Fort
14 William. The effect, in principle, was to bring
15 about a greater degree of equality between the West
16 and central Canada. But the competition of water-
17 borne freight meant that little use could be made
18 of this permission.

19 Thus the basic disparity of the general
20 freight rate structure of Canada remained, as the
21 premises from which the Commission worked did not
22 permit them to equalize wholly the rates of western
23 Canada with those of central Canada, and the national
24 policy of regulation extended only to modifications of
25 the differential and not to the use of positive means,
26 by subsidy or statutory limitation, to remove the
27 differential.

28 National policy, that is, pointed to the
29 ideal of parity of rates among the sections, but the
30 competitive rates of central Canada, together with its



1 political preponderance in Parliament, stopped the
2 realization of the ideal at the level of general rates
3 reached in the Western and Eastern Rates cases.

4 Q. I want to read now to you, Professor
5 Morton, a section of this book which tends to relate
6 to what you just said as to national policy, and I
7 am reading from "A History of the Canadian Pacific
8 Railway" by Harold A. Innis, and this was published
9 in 1923, and this is reading from his chapter entitled
10 "Conclusion", and I am starting with page 291, and I
11 would ask you for your comments on it:

12 "Under these conditions, the Canadian
13 Pacific Railway was constructed through the
14 long stretch of unproductive and difficult
15 territory north of Lake Superior, and traffic
16 was developed in Western Canada by means of
17 various devices and with the utmost possible
18 rapidity. Private enterprise had under-
19 taken the task, and by virtue of the liberali-
20 ty of the terms, the general attitude of the
21 Canadian Government, the spread of population
22 in the western states, the completion of the
23 St. Paul, Minneapolis and Manitoba Railway
24 to Winnipeg, and the knowledge gained of
25 the nature of the task during the earlier years,
26 the road was completed to the Pacific coast in
27 1886. Its completion, moreover, found the
28 Canadian Pacific Railway Company in a satis-
29 factory financial condition.
30



"The diversion of traffic to eastern Canada by the Canadian Pacific and other roads has been accomplished successfully, but to some extent at least at the expense of Western Canada and with considerable protest from that area. The existence of a large surplus on a balance sheet of the Canadian Pacific Railway Company and the consistent payment of large dividends, accomplished through a high dividend rate and relatively large issues of common stock, have been shown to be largely the result of the freight situation in Western Canada. The successful protests of Western Canada against the monopoly clause did not materially change the condition, nor did the Crow's Nest Pass Agreement or the appointment of the Board of Railway Commissioners. Nor does there seem to exist any prospect of immediate change. The general acquisitive attitude of Eastern Canada, the result of its historical background, will scarcely sanction an increase in the deficit of the Canadian National Railways in order to allow a lowering of rates in Western Canada, nor will it agree to an increase of rates in Eastern Canada. It will scarcely permit the reduction of a tariff which would endanger the traffic of the National Railways, consequently increasing their deficits and at the same time diverting traffic to the United States. It will scarcely be tactless



1 enough to increase taxes on the Canadian Pacific
2 to reduce its dividends and its surplus because
3 of the resulting disturbance to the financial
4 situation in Canada, because of the well-known
5 astuteness of that organization and because of
6 the possible decline in morale which might
7 result.

8 "On the other hand, the tax which has been
9 paid by Western Canada as a result of the par-
10 ticular attitude of Eastern Canada has provoked
11 a movement the strength of which is difficult to
12 estimate. The land situation involving the
13 holding of alternate sections by the Canadian
14 Pacific seriously hampers social development.
15 With tax exemption, the construction of schools
16 is restricted. The taxation problem, in general,
17 has been serious increased because of tax privi-
18 leges.

19
20 "The Canadian Pacific Railway, as a vital
21 part of the technological equipment of Western
22 civilization, has increased to a very marked
23 extent the productive capacity of that civiliza-
24 tion.

25 "Western Canada has paid for the development
26 of Canadian nationality, and it would appear that
27 it must continue to pay. The acquisitiveness
28 of Eastern Canada shows little sign of abatement."

29 Remembering that this was published in 1893 I would
30 ask you whether or not, from your research into the



1 subject, it does in fact reflect the attitude of
2 Western Canada and the historical development at that
3 time.

4 A. It is very gratifying for Western
5 Canada to hear Eastern Canada uttering such sentiment.
6 Certainly it expresses the view of Western Canada on
7 the right to railway construction.

8 Q. Now, Dr. Morton, you have described
9 the development of national policy in both railway con-
10 struction and rate-making up to 1950. What of the
11 years following?

12 A. The bankruptcy of the Canadian Northern,
13 followed by that of the Grand Trunk, resulted in the
14 Government of Canada taking over those lines which were
15 incorporated with the existing government railways in
16 the Canadian National Railways in 1923. The mainten-
17 ance of public credit and of railway service to great
18 areas of the country were the considerations which led
19 to this great and, to a degree, involuntary extension
20 of national railway policy to include the public owner-
21 ship and operation of a vast national system. Nothing
22 on the other hand, could more forcibly illustrate the
23 integration of national and railway policy in Canada.
24 Since 1923 it has been government policy to maintain
25 the publicly operated system in commercial competition
26 with the privately operated Canadian Pacific, subject
27 to the special demands for local services it is par-
28 ticularly difficult for a publicly owned railway to
29 resist.
30



1 War conditions also forced the modification
2 of rate regulation by the suspension of the Crow's Nest
3 Pass Agreement from 1918 to 1922 and major rate
4 increases granted.

5 In 1922 the suspension of the Crow's Nest Pass
6 Agreement ended. After reference to a Special Com-
7 mittee of Parliament, the Agreement was suspended for
8 two years more except that the Crow's Nest rates on
9 grain and flour moving east were restored. When the
10 suspension ended in 1924, the railways petitioned the
11 federal cabinet for a further suspension of all the
12 Crow's Nest Pass rates. On reference to the Board of
13 Railway Commissioners, a majority of the Board held
14 that it was not bound by the agreement of 1897, and that
15 the Crow's Nest rates rested on the agreement, not the
16 statute. The Supreme Court, however, ruled that the
17 Board was bound by the Act, that the rates applied only
18 to Canadian Pacific lines in existence in 1897, and
19 that changes in the rates must be made by Parliament.
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1 Parliament then passed an Act which varied
2 the agreement indefinitely but applied the Crow's Nest
3 rates on grain and flour moving eastward on all lines
4 in the west, a total of over 17,000 miles of track.
5 The intent of the Act, said Hon. G. P. Graham, Minister
6 of Railways, was "to give the Board of Railway Commis-
7 sioners a free hand in the equalizing of rates through-
8 out Canada in order that all parts of the country may
9 be equally situated with the others.

10
11 I thought it a rather extraordinary statement,
12 sir, and I must say I thought it was wrung from the
13 minister during debate in the House of Commons. I
14 don't know whether he would have written it in cold
15 blood.

16 In 1926 the Crow's Nest Pass rates were ex-
17 tended to grain and flour moving westward.

18 In 1927 an addition to statutory limitations
19 was made when as a result of the Duncan Royal Commission
20 on the condition of the Maritime Provinces in Confedera-
21 tion, freight rates in the Maritime Section, extended
22 westward to Quebec, were reduced by 20 per cent.

23 Once more the approach to the economic ideal
24 of sectional parity was piecemeal and halting, but at
25 least these years had been marked by "the acceptance
26 by the Board of Railway Commissioners, encouraged by
27 the Government, of the policy of equalization."

28 During the same years highway construction
29 and the development of haulage by truck, coupled with
30 the deepening of the Welland Canal and the rebuilding



1 of the locks, presented the railways with new competi-
2 tion, not only in the low rate bulk freight of the
3 water carriers but, more severely, in the high rate,
4 light freight so easily captured by trucks.

5 The elements of the rates structure and the
6 factors of competition began to become, as they have
7 remained, exceedingly complex and also exceedingly
8 mobile.

9 To add further to the difficulties of regula-
10 tion, there was the fact that truck traffic and highways
11 are under provincial jurisdiction, the railways under
12 federal.

13 Neither the Royal Commission appointed in 1931,
14 nor that appointed in 1949, produced recommendations which
15 materially modified the situation.

16 The one new element in the situation was the
17 introduction, on the recommendation of the Commission of
18 1949, of the payment of a subsidy of approximately
19 \$7 million a year to the two systems as compensation for
20 the operation of their lines across the "traffic desert"
21 north of Lake Superior.

22 Here is to be found another element of a
23 national policy pointing to the ideal of sectional
24 parity, as compensation to the railways for the lack of
25 revenue north of Superior was in fact compensation also
26 for any lowering of rates in the relatively non-com-
27 petitive Prairie section.

28 Q. What of this sectional disparity, this
29 policy in regard to sectional disparity, since 1951?
30



1 A. Here I imagine we could be controversial.
2
3 Since 1951 the conditions and regulations under which
4 the railways of Canada have operated have been governed
5 by the two factors of ever severer competition from
6 water carriers and truck haulers and by the price and
7 wage inflation.

8 This situation has been met by grants of
9 percentage increases in the rate structure across the
10 country. These "horizontal" increases have operated
11 to increase the sectional disparity which national
12 policy since 1897 has sought to diminish. The in-
13 creased rates have been put into effect in the
14 relatively non-competitive sections of the country,
15 and not in the ever more competitive region of central
16 Canada. Thus the definite, if imperfectly realized
17 national policy of reducing sectional disparity has in
18 effect been abandoned for the practice of granting in-
19 creases which augment that disparity, to the ever
20 greater jeopardy of the national economy at a time
21 when wheat exports are becoming relatively more im-
22 portant as other exports, less efficiently produced,
23 encounter difficulty in building world markets, and
24 the great injury of the Prairie Provinces in par-
25 ticular, where despite a diversity of the economy
26 undreamt of a generation ago, the wheat crop still
27 remains unrivalled in mass and value.

28 Q. What is your assessment of the present
29 situation both as it applies to the railways and to
30 the Province of Manitoba?



1 A. I must say, sir, that I am here as an
2 historian and that question leads me off my own ground,
3 but I will venture to say that the plight of the rail-
4 ways has been not less severe. The railways, however,
5 had had alternative sources of income and may find
6 alternative means of increasing efficiency. To
7 Manitoba the alternative to the Crow's Nest Pass
8 rates has been not merely higher freight rates. It
9 has been at once near monopoly rates on its principal
10 freight, grain and flour, and also ever higher rates
11 relative to those of central Canada in other com-
12 modities. To depart further from, indeed, not to
13 return to the ideal of a national railway policy of
14 furnishing rail transport at minimum differential rates
15 throughout the various regions of Canada would, in the
16 light of history, be to undo the work of a century of
17 nation building and make the position of Manitoba
18 and the West in Confederation one of hardship and
19 discrimination.

20
21 MR. MAURO: Thank you very much, Dr. Morton.
22 I would ask you to answer the questions of the Com-
23 mission and my learned friends.

24 THE CHAIRMAN: Have you any questions, Mr.
25 Cooper?

26 MR. COOPER: No, thank you, Mr. Chairman.
27 I don't think I need ask any questions on this histori-
28 cal review. I think the material is there for the
29 Commission's information.

30 THE CHAIRMAN: Mr. Dickson?



1 MR. DICKSON: No, sir, no questions.

2 THE CHAIRMAN: Mr. Doherty?

3 MR. DOHERTY: I have no questions, Mr. Chairman.

4 MR. McDONALD: I have no questions, Mr.
5 Chairman.

6 MR. BRAZIER: I have no questions.

7 MR. SINCLAIR: Yes, Mr. Chairman, I have one
8 or two.

9
10 CROSS-EXAMINATION BY MR. SINCLAIR:

11 Q. Dr. Morton, the mere fact that a govern-
12 ment grants aid to a company to get their agreement to
13 undertake risks and obligations does not make the
14 government a partner of the company which undertakes
15 the work for that consideration?

16 A. Not in a legal sense, no.

17 Q. Or in a factual sense?

18 A. In a factual sense I think one may say
19 that it would.

20 Q. If the only way you could get the person
21 to undertake the obligation was to grant him the aid,
22 then, how, in the factual sense, in your opinion,
23 could the person granting the aid continue to be a
24 partner?

25 A. Because he would have, or it would have,
26 as the case may be, a concern seeing that the task for
27 which the aid was given was performed. If the agent
28 chosen did not perform the task, then the government,
29 in the instance we have in mind, would have had to
30 simply do the job itself.



1 Q. But only in that sense?

2 A. Only in that sense, yes.

3 Q. You made reference to Prime Minister
4 John A. Macdonald?

5 A. Yes.

6 Q. In regard to the Canadian Pacific he said,
7 according to your quote, "The company would get a fair
8 and full return for all their risk, for all their ex-
9 penditure and for all their responsibility": on behalf
10 of Manitoba would you agree that that statement of
11 Sir John A. Macdonald is equally applicable today?

12 A. I am not sure, Mr. Chairman, what right
13 I have to speak for the Government of Manitoba. I
14 presume none. However, speaking as someone whom they
15 have called, I would say, "Yes, of course."

16 Q. Dr. Morton, the amount of the aid for
17 the building of the Crow's Nest section of line and the
18 cash subsidy was not out of keeping with what was the
19 usual aid for matters of that kind at the time,
20 historically, was it?

21 A. No.

22 Q. Indeed, that much cash and land in a
23 number of instances were given without any other obli-
24 gation but to build the line for the railway?

25 A. Yes.

26 Q. And the rate reductions that were made in
27 1897 by Canadian Pacific with regard to the grain
28 eastbound and with regard to commodities westbound was
29 in keeping with the reductions that were then going on
30



1 in railway rate making as the country developed; isn't
2 that correct?

3 A. I have no positive knowledge of that.
4 I presume it is correct because they were meant to meet
5 competition of American lines south of the border.

6 Q. And would the rate structure for the
7 movement of grain, in your opinion, at a level equal
8 to meet American competition for the movement of grain
9 to export be satisfactory at the present time?

10 A. Not necessarily; other national considera-
11 tions might come into play.

12 Q. But from a transportation standpoint?

13 MR. MAURO: I don't want to interfere with
14 my learned friend's cross-examination ---

15 THE CHAIRMAN: Again, this is an historical
16 witness.

17 MR. MAURO: Yes.

18 MR. SINCLAIR: Q. The strict application
19 of the Crow's Nest Agreement in 1897, Dr. Morton,
20 applied only to shipping lines in existence on Canadian
21 Pacific in 1897?

22 A. That is correct, as a matter of law.

23 Q. That was the strict application of the
24 agreement?

25 A. Yes.

26 Q. Correct?

27 A. Correct.

28 Q. And if that agreement was strictly
29 applied now, many shipping stations for the movement
30



1 of grain would be substantially higher than it would be
2 under the Crow's Nest Agreement; is that correct?

3 MR. MAURO: Well ---

4 THE CHAIRMAN: That, again, is a matter of
5 law, I think.

6 MR. SINCLAIR: I think that is a matter of
7 historical fact, and I think the witness should answer
8 it.

9 MR. MAURO: The professor made a statement
10 in his precis and in his evidence that the agreement
11 was varied in 1925, and that is the historical fact.
12 As to the effect or the interpretation of it, Mr.
13 Sinclair and I are going to talk a great deal about it.

14 THE CHAIRMAN: Parliament spoke in that regard
15 in 1925, in the Supreme Court.

16 MR. SINCLAIR: Is the Commission ruling that
17 the witness is not to answer?

18 THE CHAIRMAN: Well, put the question again.

19 MR. SINCLAIR: Q. Dr. Morton, my question to
20 you is this: if the Crow's Nest Agreement was strictly
21 applied, then a number of shipping stations in Western
22 Canada that are now moving their grain at the level of
23 1899 would be on a much higher level; is that correct?

24 A. If I were to answer that question in
25 the affirmative, I would ignore the historical develop-
26 ment since 1899. The historical developments are
27 recounted in the precis, and they led up to the statute
28 of 1925.

29 Q. But if the agreement was applied strictly,
30



1 the statute of 1925 was not there, would you agree,
2 as an historian, factually, that rates from a number
3 of shipping stations in Western Canada for the movement
4 of grain would be higher today than they are under the
5 statute of 1925?

6 THE CHAIRMAN: He can only answer it in one
7 way, Mr. Sinclair, as you and I know, that but for the
8 Privy Council decision in 1925 and the action of
9 Parliament, that would be so.

10 MR. SINCLAIR: The answer to the question,
11 historically, is "Yes".

12 THE CHAIRMAN: I believe so.

13 MR. SINCLAIR: Q. Would you disagree with
14 that?

15 MR. DICKSON: May I interrupt, Mr. Chairman.
16 I would like to support my friend Mr. Mauro; I think
17 this question of getting into the legal effect of the
18 various judgments, the legal effect of the amendment
19 in 1925, the Railway Act, is not going to be very
20 profitable for the Commission. I say with all respect,
21 and I think my friend Mr. Sinclair recognized this
22 morning in his examination of the Premier of this
23 province that this was not the appropriate time or
24 place to engage in a legal argument, and I would sug-
25 gest that the same consideration should apply with
26 regard to Professor Morton.

27 THE CHAIRMAN: Well, Mr. Dickson, I think
28 we will hear a great deal before we are finished with
29 this Commission on this subject of the amendment in
30



1 1925, and due to the fact that certain freight rates
2 on commodities going west were abandoned in the amend-
3 ment; but, I don't think it hurts or helps your case
4 any that the question be answered, Mr. Sinclair.

5 MR. SINCLAIR: I would like to have Dr.
6 Morton's answer.

7 THE WITNESS: I can answer you historically.
8 It is completely unhistorical to suppose something
9 which, in fact, happened had not happened. If the
10 thing happened, namely, that the Crow's Nest Pass
11 rates were applied as you say strictly, then I can say
12 perfectly confidently, as an historian, and moreover
13 as a westerner, there would have been a political
14 explosion in the West which would have probably got
15 an Act of Parliament more drastic than that of 1925.

16 MR. SINCLAIR: Q. Thank you. That, I
17 think, is a very helpful answer for the Commission
18 having to determine what happened in 1925.

19 MR. MAURO: And also they are determining
20 public interest.

21 MR. SINCLAIR: Q. You referred to war
22 conditions forcing modification of the Crow's Nest
23 Agreement as to rates, and that major increases were
24 granted. Wouldn't it be more correct to put it this
25 way: that increased costs of transportation brought
26 about by inflation in wage and material prices, as an
27 effect of World War I and its aftermath, caused these
28 rates to be increased?

29 A. Yes, I quite agree it would be.
30



1 Q. In your paragraph 45 -- and I know you
2 would like to correct this -- you say in 1926 the
3 Crow's Nest rates were extended to grain and flour
4 moving westward. It is September 12th, 1927?

5 A. Yes.

6 Q. Dr. Morton, when you came to your
7 paragraphs 54 through 56 you said you were getting into
8 a controversial area and possibly a little out of your
9 field, and I am keeping that in mind, and there are
10 other witnesses we will ask questions of, but there is
11 just one point I would like you to clarify for me and
12 for the Commission, please, and that is on page 17,
13 and it is your sentence, "It has been at once near
14 monopoly rates on its principal freight, grain and
15 flour . . .": what do you mean by "near monopoly rates
16 on grain and flour"?

17 A. I was thinking of the situation before
18 1888 when the province was freed from the restrictions
19 of the Canadian Pacific charter, and brought the
20 Northern Pacific in.

21 Q. What you are saying is that up until
22 1888 railway lines were restricted under the Canadian
23 Pacific charter, but from 1888 onward there wasn't
24 that restriction? You said that earlier in your
25 brief?

26 A. Not railway rates were restricted.

27 Q. Railway lines -- I am sorry.

28 A. Yes, the building of railway lines.

29 Q. That is what you had in mind?
30



1 A. Yes.

2 Q. You are not saying that the rates today
3 for the movement of grain and flour in Western Canada
4 are near monopoly?

5 A. Oh, no; this is an historical reference.

6
7 CROSS-EXAMINATION BY MR. HUME:

8 Q. I have one question to ask you, Dr.
9 Morton: at page 16 there is a statement, and I read
10 it in one way and I don't think you intended it. In
11 paragraph 55, your third sentence, in speaking of
12 the impact of horizontal increases, it says, "The
13 increased rates have been put into effect into the
14 relatively non-competitive sections of the country,
15 and not in the ever more competitive region of central
16 Canada." It was my understanding that while the
17 greater percentage of the impact may have been in
18 the relatively non-competitive sections, wouldn't it
19 be more accurate to say that it was that way, and the
20 way you have put it is that they were not imposed in
21 central Canada, and I believe that is not quite correct?

22 A. That occurred to me as I was making the
23 statement, and I think it should read, "not to the
24 same degree."

25 THE CHAIRMAN: All right, Mr. Mauro.

26 MR. MAURO: Thank you, Mr. Chairman.

27 THE CHAIRMAN: Thank you, Dr. Morton, for
28 your coming here.

29 THE WITNESS: Thank you for the opportunity,
30 sir.



1 MR. MAURO: Certainly, I want to thank
2 Dr. Morton, because we felt it might be proper and
3 fitting, in the light of the very heavy emphasis on
4 national policy in the terms of reference, and that
5 it may be of some assistance to the Commission, to
6 have someone of Dr. Morton's background develop it.

7 THE CHAIRMAN: It is very worthwhile to have
8 an expert of this calibre before us.

9 MR. MAURO: The next order of witnesses will
10 be Mr. Parker of the Manitoba Pool Elevator, to be
11 followed by the City of St. James and the Manitoba
12 Beet Growers Association.

13 THE CHAIRMAN: You will have Mr. Parker here
14 at two o'clock, and we will now adjourn until two
15 o'clock.

16
17 ---Luncheon adjournment.
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1 ---On resuming at 2.00 p.m.

2
3 THE CHAIRMAN: We will come to order now,
4 gentlemen.

5 Very well, Mr. Mauro.

6 MR. MAURO: Thank you, Mr. Chairman.

7 The next submission is on behalf of the
8 Manitoba Pool Elevators, Mr. W. J. Parker, President.

9
10 W. J. PARKER, called

11 MR. PARKER: Mr. Chairman, members of the
12 Commission, this, sir, will be an anti-climax after the
13 very excellent presentation made by the Premier of
14 Manitoba yesterday and this morning. If I may be
15 permitted to predict, I would predict that in your
16 meetings as you move further west you will not find
17 another submission that will be more useful and perhaps
18 none that will be as useful and constructive as that
19 made by the Premier of the Province of Manitoba. I
20 hope that does not offend any of the political
21 sensitivities of you, sir, and your two colleagues
22 of those very wealthy provinces of Alberta and British
23 Columbia.

24
25 THE CHAIRMAN: It was a very excellent sub-
26 mission.

27 MR. MAURO: Mr. Chairman, the submission of
28 Mr. Parker I would ask to be numbered Exhibit 95.

29 ---EXHIBIT NO. 95: Submission of Manitoba Pool
30 Elevators.



1 MR. PARKER: Dated at Winnipeg and addressed
2 to you, sir, this submission is made on behalf of
3 35,000 farmers of Manitoba who constitute the active
4 membership of the Pool organization. Manitoba Pool
5 Elevators, in association with the Alberta Wheat Pool,
6 the Saskatchewan Wheat Pool and the United Grain Growers
7 Limited, is preparing a more comprehensive and sub-
8 stative brief, which we hope to present to your Com-
9 mission at a later sitting in Ottawa.

10
11 On this occasion, Mr. Chairman, we wish to
12 express our appreciation to you and your colleagues
13 for undertaking this very arduous and very important
14 task. We believe the results of your study may have
15 major consequences of an economic and political
16 character for tens of thousands of Canadian citizens.

17 We also believe that the study which you have
18 been commissioned to undertake is indeed a very timely
19 one in view of the vast economic changes that have taken
20 place in Canada during the last decade.

21 This presentation will indeed be a very modest
22 one, Mr. Chairman, but on behalf of the farmers whom I
23 represent I wish to welcome you to Winnipeg and Western
24 Canada, because we firmly believe that you cannot
25 fully understand the transportation picture without
26 making detailed studies in the many regions of this
27 vast geographical area comprising Canada.

28 I would like to emphasize that, Mr. Chairman,
29 that this is indeed a modest and not the type of pre-
30 sentation we would presume to make were we making a



1 full one at this time. But, believing that the subject
2 matter which you wish to study is common to the three
3 prairie provinces, we are associated with the pool
4 organization -- the United Grain Growers -- at which
5 time we will be making a much more comprehensive brief
6 and we will be prepared to cross-examine and be cross-
7 examined at some length.

8
9 Manitoba Pool Elevators is wholly owned by
10 212 local elevator associations scattered throughout the
11 farming areas of Manitoba, and operates in excess of
12 300 grain elevators in the province. Through meetings
13 of their local Associations and meetings of Manitoba
14 Pool Elevators, the members have indicated deep interest
15 in the matters which your Commission is studying.
16 Manitoba Pool Elevators, therefore, because of its
17 position in the economic life of the province, makes
18 this submission, not only as a grain handling organiza-
19 tion, but as representatives of the farming industry
20 of the province.

21 These farmers, through their organization,
22 paid freight of approximately \$3,600,000 on grain
23 shipments during the last crop year. Based on this
24 figure, we estimate the total average annual freight
25 bill for grain shipments originating in Manitoba to be
26 in the neighbourhood of \$7,000,000.

27 I think that is a very conservative estimate,
28 Mr. Chairman. We know what we paid and we multiplied
29 roughly by two, and I think perhaps it could be a little
30 more, but that is a conservative figure, as we estimate.



1 This freight movement is divided almost equally between
2 the Canadian National and the Canadian Pacific Railways.

3 The farmers on the Prairies are necessarily
4 more conscious of the impact of transportation costs on
5 our economy than any other large group of freight
6 payers in Canada. They know the prices received for
7 their products in the distant market places, and they
8 are aware of the much smaller prices paid to them at
9 the local shipping point. They know what they pay for
10 the manufactured goods they consume, what they pay for
11 the machinery so necessary to economic farm production,
12 what they pay for fuel oil and coal; they also know
13 that freight rates bear heavily on the prices they pay
14 for all of these things. They know that they con-
15 tinued to pay the same freight rates in times of low
16 prices and in times when general economic conditions
17 in Canada were poor. They are particularly concerned,
18 therefore, about increases in transportation costs
19 caused by generally buoyant economic condition in a
20 period when the agricultural economy is depressed.

21 Agriculture is Manitoba's largest industry.
22 Other industry and the entire economy of the West is
23 dependent upon agriculture. Prairie production and
24 prairie consumption is the foundation of prosperous
25 industry, trade and transportation throughout the whole
26 of Canada; it provides the raw material for many Canadian
27 factories and its products constitute a very large per-
28 centage of Canadian exports.

29 The Canadian prairies are in the centre of
30



1 the continent. Winnipeg is 1,358 miles by rail from
2 Montreal and 1,572 miles from Vancouver (C.N.R.). The
3 prairies themselves extend for some 800 miles west of
4 Winnipeg.

5 A very small portion of prairie grain produc-
6 tion is consumed locally. Canadian domestic markets
7 can only be reached by a very long rail haul, and export
8 markets are seldom available on this continent. As a
9 result, freight rates on prairie production are a
10 very much larger portion of the market price than in
11 any other part of Canada.

12 The position of Manitoba in the centre of
13 Canada is particularly important in any study of
14 Canadian transportation because of the political com-
15 position of Canada. Trade has been forced artificial-
16 ly over long distances East and West, and the advantages
17 of more economical markets to the south have been
18 substantially lost to the prairie producer.

19 There are some important natural advantages
20 to transportation on the prairies, such as easy terrain
21 and operation through relatively uncongesting areas,
22 both of which result in lower construction, maintenance
23 and operating costs. The longer distances, resulting
24 in a lower percentage of terminal costs, generally produce
25 much lower total costs per mile. There is also con-
26 siderably less competition from other modes of transpor-
27 tation. Because of the disadvantages of distance, we sug-
28 gest that every effort should be made to give this area
29 the full measure of all of its economic advantages.

30 We suggest that the higher costs of the



1 mountain region, the problems created by intensive
2 competition in Ontario and Quebec, the high cost of
3 operating in congested areas and the higher percentage
4 of terminal costs resulting from shorter hauls should
5 all be eliminated from the yardsticks used for Western
6 Canada rate making. We contend that rates generally
7 should be based on prairie region costs alone.
8

9 Having said this, we agree that, within the
10 prairie region, there are to a degree the same railway
11 problems that confront other regions of our railway
12 systems; these are the common problems of passenger
13 service, branch line economics and loss of traffic to
14 competing forms of transport. Your Commission will be
15 directing much of its attention to these problems. It
16 is not our intention to deal with them in full at this
17 time. We would like, however, to mention some
18 difference in our position in Manitoba with respect to
19 the grain movement, and to deal broadly with the branch
20 line problem.

21 Manitoba's Position: In 1927, General Order
22 No. 448 of the Board of Transport Commissioners, which
23 followed the General Freight Rates Investigation, set
24 rates on grain and flour from all points on C.P.R.
25 branch lines on an equalized basis to the then present
26 C.P.R. main line rates. All other companies were
27 ordered to adjust their rates to the C.P.R. basis.
28 Export rates to the Pacific Coast were set on the basis
29 of prairie rates. It appears obvious that the policy
30 was to set grain rates on the basis of main line rates,



1 irrespective of any higher operating and capital costs
2 through the mountains and in some of the new branch lines
3 which were added to the system.

4 The Maritime Freight Rates Act, the mountain
5 differential case, the "bridge" subsidy and the ruling
6 that passenger deficits must be borne by freight users
7 were all attempts to adjust transportation economics in
8 the national interest. We have no objection to the
9 policy of setting grain rates for the western portion
10 of the prairies, and for the movement to Churchill, at
11 the same rates as for the general movement of Manitoba
12 grain to Lakehead. We do suggest, however, that it was
13 not the intention, and should still not be the purpose
14 to charge grain producers of Manitoba directly with any
15 portion of the cost of these measures taken in the
16 national interest.

17 We, in Manitoba, are still convinced that we
18 have no problem in the movement of our grain to Lakehead,
19 unless it is a branch line problem. We suggest that
20 studies will show that the grain movement from Manitoba
21 main line and major branch line points to the Lakehead
22 are economical. We contend that our yardstick of
23 measurement should still be that set out in Board Order
24 No. 448; that is, the movement from the original Crow
25 rate points to Lakehead.

26 We further suggest that these statutory grain
27 rates in Manitoba, considering the characteristics
28 of the movement, are more economical than other bulk
29 movements over similar distances.
30



1 We recognize that the cost of railway labour
2 and material may continue to increase, but suggest that
3 there is still room for increased efficiency. The
4 Manitoba farmer will continue to make a great economic
5 contribution to our national economy, in spite of
6 the present cost price squeeze. His technology and
7 efficiency are increasing faster at the present time
8 than any other segment of our economy, but he cannot make
9 his maximum contribution if transportation, upon which
10 he is so dependent, does not also increase its effi-
11 ciency, and if rail costs are to be designed to support
12 a standard of living too far in advance of his own.

13 Branch Lines: The Board of Transport Com-
14 missioners for Canada now have an application from the
15 Canadian National Railways for abandonment of the
16 Rapid City Subdivision from Hallboro to Beulah, a
17 distance of 74.4 miles, and the Wakopa Subdivision to
18 Manitoba from Carman Junction to Deloraine, a distance
19 of 79.6 miles. They also have an application from
20 the Canadian Pacific Railway to abandon the Reston-
21 Wolseley Subdivision, a distance of 122.18 miles, a
22 small portion of which is located in Manitoba.

23 At this time I would merely point out that
24 the proposal to abandon the Rapid City Subdivision in-
25 volves approximately 1,000 farmers who deliver their
26 grain to elevators on that portion of the line in an
27 average amount of 2 1/4 million bushels per year.
28 Municipal roads and the provincial highway system
29 are designed to service those particular shipping points,
30



1 and if the line were abandoned it would require all of
2 these farmers to deliver either several miles to the
3 north or several miles to the south, in each case to
4 an existing Canadian Pacific Railway line. It would
5 appear that the social and economic disturbance to the
6 farmers, who were induced to settle there and design
7 their road system to be serviced by these shipping
8 points would be out of all proportion to the economies
9 claimed by the Canadian National Railways.
10

11 In respect to the other two proposed abandon-
12 ments in Manitoba, i.e. the Carman Junction to Deloraine
13 on the C.N.R. and that small portion of the C.P.R. in
14 the Province of Manitoba, the circumstances are con-
15 siderably different, and perhaps the claim for main-
16 tenance of these two sections of railway service is
17 not as valid as on the Rapid City Subdivision.

18 We were notified of these applications during
19 the month of November last, and were asked to state
20 our position on these cases by December 31st, 1959.
21 The proposed abandonments are the result of studies
22 made over a long period of time by railway experts,
23 and are presumably based on cost factors deemed
24 relevant by the railways. We suggest that the approach
25 is wrong. We also suggest that these cases, and the
26 branch line problem generally, point up major errors
27 in the railways' grain handling cost studies already
28 before your Commission.

29 We agree that too many branch lines were
30 built; as they were so over-built in other regions of



1 Canada. We first suggest that the mistakes of the
2 past, resulting from over-zealous competition in
3 construction, should not be charged in the cost study,
4 and further that these branch lines were not constructed
5 solely for the grain movement. The railways are
6 demanding a fair return on their operations and on
7 their investment, based on today's cost position and
8 total investment. We say that they must accept
9 today's branch line costs as they should be for to-
10 day's purposes, and not as they are because of their
11 original purposes.

12
13 We also suggest that the branch line movement
14 contributes to the economics of the high density lines,
15 and therefore to lower rates for other commodities.
16 Branch line costs should not, therefore, be on an exact
17 balance sheet basis.

18 We further suggest that there are uneconomic
19 branch lines that cannot be abandoned. We agree that
20 there are some that can be abandoned in the near
21 future, and others that can be eliminated over a longer
22 adjustment period. We recommend for your consideration
23 the following approach to branch line abandonment:

- 24 1. The abandonment programmes of the railways
25 should be disclosed, rather than hidden, so
26 that provincial and municipal governments,
27 industry and the public can see the overall
28 picture and the purpose. The individual
29 approach is creating distrust, and each area
30 goes into opposition because it appears to



1 be singled out.

2
3 2. Once railway officials are convinced of the
4 economic need for abandonment, they, in
5 conjunction with governments at all levels,
6 and with industry, should make a joint
7 economic and social study of the area
8 affected so as to establish the adequacy,
9 or otherwise, of alternate service to the
10 communities affected. We suggest that there
11 will be little political or other opposition
12 when there is planned transition to other
13 adequate means of transportation.

14 3. We suggest that the cost of line abandonment,
15 its study and its replacement by adequate
16 alternative transportation, where necessary,
17 should be a charge to all levels of govern-
18 ment and the costs are small in relation to
19 the burden, or the potential burden, on pre-
20 sent rail users.

21 4 We recommend, during transitional periods for
22 lines approved for eventual abandonment and
23 for lines ruled to be more or less permanently
24 maintained for public convenience and necessity,
25 that operating losses be absorbed by the
26 national treasury (subject to annual or
27 periodic review by the Board of Transport
28 Commissioners), and that no depreciation or
29 return on capital be allowed to the railways,
30 excepting on new capital placements approved



1 by the Board. We would point out that the
2 railways lose these, in any case, if their
3 applications for abandonment are approved.
4 Only bare out-of-pocket costs should be
5 included in calculating operating losses,
6 for lines subsidized during transitional
7 periods.

8 Conclusion: In concluding this phase
9 of our submission, we suggest that the branch line
10 question, the passenger service problem and the pro-
11 blem of adjusting to meet competition from other modes
12 of transportation are more pertinent and more important
13 factors for study by your Commission at this time than
14 the question of statutory grain rates. In fact, Mr.
15 Chairman, we submit that the railways have not proven,
16 and we question whether they will prove, that grain
17 hauled from Manitoba is uneconomic, particularly with
18 the elimination of some of the branch line problem.

19 We submit that there needs to be a getting
20 together of the railways and their customers because
21 of the mutual interest in solving the transportation
22 problem, and that the grain trade in Manitoba will be
23 only too willing to work with the railways and govern-
24 ment in improving the service and the economics of the
25 grain movement.

26 There are other factors relating to transpor-
27 tation which your Commission will be studying and if
28 our organization, with its experience in the handling
29 of grain and other farm products, can be of assistance to
30



1 the Commission, we are at your service.

2 THE CHAIRMAN: Thank you, Mr. Parker.
3 Mr. Cooper?
4

5 CROSS-EXAMINATION BY MR. COOPER:

6 Q. I just have a very few questions arising
7 out of your submission.

8 I direct your attention to page 3, and the
9 second complete paragraph on that page where you say:

10 "We suggest that the higher costs of the
11 mountain region, the problems created by in-
12 tensive competition in Ontario and Quebec, the
13 high cost of operating in congested areas and
14 the higher percentage of terminal costs resulting
15 in shorter hauls should all be eliminated from
16 the yardsticks used for Western Canada rate
17 making. We contend that rates generally should
18 be based on prairie region costs alone."

19 Do I understand from that, Mr. Parker, that it is the
20 submission of the Manitoba Pool Elevators that rates
21 for movements on the prairie should not take into
22 account system costs, if one may put it that way, of
23 the railways, but merely the costs of the prairie
24 region?

25 A. Well, in answer to your question we
26 suggest here that you eliminate the mountain differ-
27 ential, which is something washing out the mountain
28 extra costs in the national interest, and it should not
29 be loaded on the movement of grain from Manitoba.
30



1 When you talk about system costs, admittedly
2 some share of general overhead would necessarily be
3 applied to the area here.

4 Q. Would it be a lesser share than would be
5 the case in the mountain area, for example?

6 A. No, not the administrative overhead.

7 Q. Well, perhaps you could enlarge again
8 on this phrase "prairie region costs alone"; that is
9 what is causing me a little difficulty in understand-
10 ing your submission.

11 A. Well, in answer to your question, don't
12 you think your competition in Ontario and Quebec, the
13 eastern area of Canada, don't you think that the rates
14 require and are necessary there in meeting competition
15 automatically in order to produce the overall picture
16 and increase the so-called captive transportation market
17 in this particular prairie region.

18 Q. Are you suggesting that some allowance
19 should be made for that factor?

20 A. Yes. We think the actual operating
21 costs in this particular region are definitely less
22 proportionately than they are elsewhere. We have
23 warehouses here for moving grain, we load and unload,
24 and the longest trains in Canada are pulled over this
25 region to load that grain. We think there are com-
26 pensations here, economic compensations, that should
27 be given very sympathetic consideration in the deter-
28 mination.

29 Q. You say also on page 3, Mr. Parker, that,
30



1 "it is not our intention to deal with them in full at
2 this time" and the "them" is relating to the matters
3 set out in the third complete paragraph on page 3
4 where it says, "We would like, however, to mention
5 some difference in our position in Manitoba with respect
6 to the grain movement, and to deal broadly with the
7 branch line problem." I only raise that paragraph
8 at this time to find out from you if in the later
9 submission to Ottawa there will be any special section
10 devoted to the Manitoba Pool Elevators, or whether it
11 will be a common submission of all the pools?
12

13 A. It will be a common submission of the
14 three pools and United Grain Growers, and what this
15 section refers to is the common problem of passenger
16 service and the branch line economies and competition
17 in other sections of Manitoba. It will be dealt with
18 there more exhaustively at that time.

19 Q. You set out the particular position of
20 Manitoba here. Now, will there be a further develop-
21 ment of that in the submission in Ottawa?

22 A. No.

23 Q. Now, with respect to branch lines, com-
24 mencing at page 4 and at the bottom of that page you
25 mention the proposal to abandon the Rapid City Sub-
26 division which involves approximately one thousand
27 farmers, and at the top of page 5 you state:

28 "... if the line were abandoned it would
29 require all of these farmers to deliver either
30 several miles to the north or several miles to



1 the south in each case to an existing Canadian
2 Pacific Railway line."

3 Now, could you give the Commission a little more
4 definite information as to the number of miles the
5 farmers would be required to go for deliveries in the
6 event of this line being abandoned?
7

8 A. I can't give you the exact mileage, be-
9 cause there are many variations, but I would say on
10 the average they are probably compelled to deliver any-
11 where from seven to fifteen miles further than they now
12 do.

13 The other part of that answer is that the
14 municipal roads, or the market roads or highways, are
15 now designed to service the existing line that is pro-
16 posed for abandonment, so it would require roads that
17 are not now there in order to give them reasonable
18 access. Now, in time and with different roads you
19 might lessen the mileage which I am speaking of. I am
20 not competent to answer that question; that takes a
21 detailed analysis.

22 Q. But what you are saying is that this
23 abandonment will require the construction of new roads?

24 A. And good roads.

25 Q. Now, you mention the other two abandon-
26 ments proposed, Carman Junction to Deloraine, and that
27 Reston-Wolseley Subdivision, a small portion of which
28 is located in Manitoba, and you say there that the cir-
29 cumstances are considerably different. What are the
30 differences in these cases?



1 A. Well, the one on the C.P.R. is only a
2 short distance from the provincial boundary into
3 Saskatchewan, and in that particular area there wouldn't
4 be any particular hardship in Manitoba. I am not
5 speaking of the rest of the subdivisions because I don't
6 know, but in that particular area it will cause some
7 inconvenience, but nothing approaching the inconvenience
8 that will be caused in the abandonment of the other sub-
9 division on the Canadian National.

10 On the other one, from Carman Junction down
11 to Deloraine, there are in some of these places existing
12 presently pretty satisfactory highway services servicing
13 other shipping points. Now, it will cause some incon-
14 venience, but not nearly as much as the other sub-
15 division to which I referred here. It causes less
16 social and economic upset if those were abandoned than
17 this particular one.

18 Q. With respect to these abandonments, your
19 submission states:
20

21 "We were notified of these applications
22 during the month of November last, and were
23 asked to state our position on these cases
24 by December 31st, 1959."

25 I presume that was done, as you stated?

26 A. Yes.

27 Q. And later on in that same paragraph on
28 page 5 you say:

29 "We suggest that the approach is wrong."

30 I think I understand what you consider to be the proper



1 approach, as is set out on page 6 of the submission?

2 A. That is what we suggest; it would be a
3 more proper approach.

4 Q. You suggest first:

5 "The abandonment programmes of the railways
6 should be disclosed, rather than hidden, so that
7 provincial and municipal governments, industry
8 and the public can see the overall picture and
9 the purpose."

10 For what period would you expect the railways to dis-
11 close their abandonment programme, for what period in
12 the future?

13 A. Well, I am not competent to answer that
14 one, but I heard Mr. Gordon make the statement in
15 Ottawa that the Canadian National did have a general
16 programme in the preliminary stages, and what we suggest
17 here, sir, is that if the railways propose to make
18 abandonments within the next five to ten years, that
19 perhaps they will disclose them, disclose what they
20 propose to do, and then make the studies as we suggest.
21 This is not something, we think, where you should pick
22 out one piece which you are going to abandon in twelve
23 to fourteen months. That is not the right approach,
24 because you immediately set up political pressures when
25 you pick on one particular one without seeing the
26 overall picture.

27 We think that this Commission has got to see
28 the transportation problem in Canada as it has now
29 been revealed before you.
30



1 The advent of the all-weather hard surface
2 roads, the air lines, that type of competition is
3 changing the transportation picture, and it is a national
4 problem. You cannot take it in one piece; we think it
5 should be reviewed in the overall, and it will require
6 cooperation, I suggest, sir, on the part of all people
7 to try and solve the national problem. This is not
8 just a railway problem in our opinion; the railways have
9 problems, God knows. They have many of them, but
10 their problem becomes our problem, and we must co-
11 operate, and that is the answer.

12 Q. If I understand you correctly, what you
13 say is that the railways are living in a new age of
14 competition now owing to the increases in other modes
15 of transportation, and I presume you would relate it
16 to the abandonment programme in this way, as saying
17 that that programme of abandonment is now more acute
18 than it ever has been?

19 A. Yes.

20 Q. And demands, perhaps it would be fair to
21 say, a new approach entirely to the problem, such as
22 you are suggesting?

23 A. Yes, I think so.

24 Q. Thank you.

25 THE CHAIRMAN: Mr. Dickson?

26
27 CROSS-EXAMINATION BY MR. DICKSON:

28 Q. Mr. Parker, just so that the Commission
29 may relate your submission to the experience of the
30 past few years, and in the actual experience in the



1 matter of branch line abandonments, which is the subject
2 your brief deals with at length, do you know the number
3 of abandonments in Manitoba and Saskatchewan and Alberta
4 during the period, say, from 1945 to 1959?

5 A. No, I don't.

6 Q. We have made inquiry at the Department of
7 Transport, and I think you will agree and appreciate
8 that this matter of branch line abandonment is one for
9 the Board of Transport Commissioners, and the pending
10 ones are under the jurisdiction of that Board, and our
11 inquiry from the Board of Transport Commissioners in-
12 dicated that during the period of 1945 to 1959 in-
13 clusive there were eight abandonments in the three
14 Prairie Provinces?

15 A. Consummated?

16 Q. Consummated, and that with respect to
17 five of those the farming communities were not concerned
18 because of the fact that there were no delivery points
19 on them, and we were not able to locate a particular
20 line as it is not now shown on the maps, and only in
21 one of the eight was there a delivery point concerned
22 affecting the farming community, so it would appear if
23 the past is any guide, this problem which you advance
24 has not caused any danger of abandonments within that
25 period of fourteen or fifteen years; wouldn't that be
26 your opinion?

27 Now, in respect to a question by my friend
28 Mr. Cooper you indicated that it was difficult to state
29 what was the economic extra distance that a farmer could
30



1 travel in an abandonment application. Your brief states
2 that if the branch line were abandoned in a subdivision
3 it would require all of these farmers to deliver either
4 several miles to the north or several miles to the south,
5 and I believe you interpreted the word "several" to mean
6 seven to fifteen miles?

7 A. Yes, that is right.

8 Q. Well, as a rule of thumb, then, should
9 one conclude as a rough guide that anything beyond the
10 seven miles extra carry makes it uneconomic from the point
11 of view of the farming people concerned?

12 A. No, you couldn't answer that question that
13 way, Mr. Dickson. There are some farmers hauling more
14 than twelve to eighteen miles from where it is now.

15 Q. What would be a rough guide?

16 A. I can't answer that; the farmer himself
17 would have to answer that, but it will depend on the
18 road, it will depend on how big the farm is and whether
19 he has a half-ton truck or a three-ton truck. There is
20 no trite answer to that particular question, and that
21 is why we suggest that this requires the study of all
22 the people concerned.

23 I am not advocating abandonments, I am very
24 conscious of the railways' attempt to reduce costs and
25 I suggest that we should cooperate with them in
26 finding what can be done in order to help them save
27 money, and to preserve some reasonable economies and
28 the social services concerned.

29 Q. So far as this particular line is concerned,
30



1 you do consider that these extra seven to fifteen miles
2 are too far?

3 A. Well, we have advised the C.N.R. that we
4 are going to oppose that particular one.

5 Q. Now, the second one, or the other one
6 which you mentioned here, is the Reston-Wolesley
7 Subdivision, a small portion of which is located in
8 Manitoba. Would it be possible for the Manitoba
9 portion to be abandoned and still maintain the portion
10 of that line in Saskatchewan?

11 A. You will have to ask the C.P.R. that one.

12 Q. Have you discussed this particular aban-
13 donment with the Saskatchewan Pool?

14 A. No.

15 Q. I don't know whether you were here
16 yesterday afternoon when I read to Premier Roblin an
17 excerpt?

18 A. Yes.

19 Q. When those representing the Saskatchewan
20 Wheat Pool were apparently strongly resisting this
21 particular abandonment.

22 Now, on the matter of roads and haulage, Mr.
23 Parker, would it be correct to say that in this year
24 1959-1960, say, there is more grain delivered during
25 the winter months than there would have been prior to
26 the time that the Wheat Board took over the operations
27 of the marketing of grain?

28 A. That is another question you can't answer
29 with a Yes or No. Generally, the answer is Yes.
30



1 Q. It is distributed more evenly?

2 A. Country places are distributed much more
3 evenly for the twelve months, but you have periodic
4 conditions that prevent any delivery whatsoever.

5 Q. Do you have snowbound conditions which
6 preclude your deliveries?

7 A. Yes, at times.

8 Q. In the outlying areas of the province?

9 A. Yes.

10 Q. Now, Mr. Parker, at the bottom of page 5
11 you state:

12 "We further suggest that there are un-
13 economic branch lines that cannot be abandoned.
14 We agree that there are some that can be
15 abandoned in the near future."

16 Have you any specific ones in mind?

17 A. No, I don't want to identify specific
18 ones here, but you take a look at some and we wonder
19 why they were ever built, but we suggest -- we don't say,
20 I am not competent to say which ones should or should
21 not be abandoned, I simply suggest there are ones that
22 although they are obviously uneconomic, socially and
23 in the national interest we must keep them, I would
24 think. There are others that appear that they have
25 no strong justification either socially or economically
26 and have to be maintained indefinitely under the changing
27 conditions today.
28



1 Q. You can't speak as to any specific line?

2 A. No, I would not presume to do that.

3 The railways will present those to us, and we will study
4 them.

5 Q. None of your local committees have asked
6 for abandonment of any particular one?

7 A. No, they would all oppose it.

8 Q. They would all oppose it?

9 A. Oh, I think they will; I know some of them
10 they will.

11 Q. On page 6, paragraph 3, you speak as
12 follows:

13 "We suggest that the cost of line abandonment,
14 its study and its replacement by adequate alter-
15 native transportation, where necessary, should
16 be a charge to all levels of government . . ."
17 and so on. In the phrase, "cost of line abandonment"
18 do you encompass in that phrase what follows, or do
19 you have something broader in mind?

20 A. No, just what follows.

21 Q. The study of the cost of line abandonment
22 and the alternative method?

23 A. You mean the physical cost of taking up the
24 rails and washing out the roadbed -- that is all.

25 Q. When you speak of replacement by adequate
26 alternative transportation, what do you have in mind?

27 A. Market roads; that would be at provincial
28 or municipal cost.
29
30



1
2 CROSS-EXAMINATION BY MR. DOHERTY:

3 Q. Just on a point of clarity, as far as I am
4 concerned, on page 6 -- incidentally, Mr. Parker, I
5 appear for the Province of Saskatchewan -- and you are
6 saying there, "Once the railways officials are convinced
7 of the economic need for abandonment, they, in conjunc-
8 tion with governments at all levels, and with industry,
9 should make a joint economic and social study of the
10 area affected so as to establish the adequacy, or other-
11 wise, of alternate service to the communities affected."
12 I just wish to appreciate fully what you have in mind:
13 have you in mind that this would replace the present
14 system of going before the Board of Transport Commis-
15 sioners? Would it be in advance of that position?
16 Would it be perhaps an informal arrangement?

17 A. My concept was that it would be more or
18 less of an informal arrangement. I don't think the
19 railways, in making an application for abandonment --
20 and take the Wolseley Subdivision, which you have in
21 mind -- the railways would say, "Everybody down that
22 line are politically opposed." I don't think that is
23 the proper approach. We suggest this must be a coopera-
24 tive approach and not politically opposed. Immediately
25 the C.P.R. asks for abandonment, they are opposed, and
26 you never get a satisfactory answer. I think the Board
27 of Transport Commissioners are in an invidious position
28 there. Prior to that, if we accept the need for some
29 modification of our transportation system in Canada,
30 then I think it goes beyond an arbitrary ruling under



1 a statute. However, what we advance here would create
2 a climate of public opinion in the best interests of
3 the country as a whole. Does that answer your question?

4 Q. Yes, you are speaking of an informed
5 public?

6 A. Yes, I am not speaking of another con-
7 stitutional body to replace the Board of Transport
8 Commissioners.

9 Q. One word gives me a little trouble; you
10 say, once railway officials are "convinced" -- would you
11 have in mind that might perhaps come ahead?

12 A. No, the management of the railways know
13 their own concern better than I do, and they should
14 determine whether or not that particular line returns
15 them a reasonable revenue. If they are convinced it
16 does not, on their basis of allocating costs, then it
17 is open to review by this so-called informal body, and
18 let the Board of Transport Commissioners deal with it
19 less emotionally, on the part of the C.P.R. and the C.N.R.
20 -- I am not talking about the emotion of the Board of
21 Transport Commissioners.

22 Q. Do you think there may be some advantage
23 if some information were available prior to some final
24 determination -- not in the initial stages?

25 A. I would not suggest the railways make an
26 application to the Board of Transport Commissioners be-
27 fore this other body. I think they should seek the
28 cooperation of all the people in the area where they
29 would like to consider abandonment, rather than formally
30



1 make application where you have already created an
2 unfortunate political climate immediately you have made
3 the application. Come to the people concerned, the
4 province concerned, and say, "This is our position
5 here. We would like you to consider with us, is it
6 feasible, practicable or desirable we should abandon
7 this particular area?" I don't know what will happen,
8 but probably we will then be much better informed than
9 we are now.

10 MR. DOHERTY: Thank you very kindly.

11 MR. SMITH: I have no questions.

12
13 CROSS-EXAMINATION BY MR. BRAZIER:

14 Q. I think you realize, Mr. Parker, I
15 represent the Province of British Columbia.

16 A. I think perhaps I do.

17 Q. I want to direct your attention to just
18 one statement, which is the concluding sentence of
19 the paragraph ending at the top of page 4 of your brief.
20 It reads:

21 "We do suggest, however, that it was not
22 the intention, and should still not be the
23 purpose to charge grain producers of Manitoba
24 directly with any portion of the cost of these
25 measures taken in the national interest."

26 Now, do I take you to mean by that sentence that the
27 grain producers of Manitoba should not pay any part of
28 the measures which are taken in the national interest?

29 A. Manitoba grain producers should not be
30 required to pay any part of this mountain differential



1 in direct freight costs.

2 Q. I direct your attention to the fact that
3 in the beginning of that paragraph you deal with the
4 Maritime Freight Rates Act, the mountain differential
5 and the bridge subsidy, and I suggest that in all parts
6 of Canada except British Columbia and Alberta, who
7 shared with us in the mountain differential, when
8 additional costs were found, they were met by a sub-
9 sidy; is that correct?

10 A. The bridge subsidy.

11 Q. Yes, the Maritime freight subsidy.

12 A. Yes.

13 Q. But a different principle was applied so
14 far as the mountain differential was concerned?

15 A. I believe so.

16 Q. The shippers directly affected were re-
17 quired to pay the additional charges?

18 A. After the removal, the grain shippers.

19 Q. I am talking prior to the time it was
20 taken on?

21 A. Yes, that is correct.

22 Q. So, that was treating it in a different
23 manner to the way additional costs in other parts of
24 Canada had been treated?

25 A. Yes.

26 Q. How far would you carry this principle
27 enunciated in that one sentence? You apply it only
28 to rail costs?

29 A. What do you mean by that question?
30



1 Q. Well, if a measure -- and I think from
2 time to time measures have been taken by the federal
3 government in the national interest for the benefit
4 of the grain growers of Western Canada -- is that
5 correct?

6 A. Yes.

7 Q. Would an example of that be the allow-
8 ances being granted for the grain caught by the early
9 fall last year?

10 A. Yes.

11 Q. You would not, I presume, suggest that
12 since that measure was taken in the national interest
13 other parts of Canada should not bear their share
14 of that cost?

15 A. I agree with you -- the same with the
16 apple producers or the potato producers.

17 Q. If it is in the national interest, then
18 all citizens must bear their fair share of the cost?

19 A. Yes.

20 Q. As far as the freight rate costs are
21 concerned, would you apply a different principle?

22 A. No. It is not the same question.

23 Q. Isn't that what you are saying there in
24 that sentence?

25 A. No, what we are saying here is that the
26 costs borne by the railways in moving through the
27 mountains, which becomes part of the consolidated costs,
28 should not be charged against the Manitoba shippers of
29 grain. It is a national thing and it should be
30



1 subsidized. It is in the national interest, the same
2 as the grain under the snow or the freezing of the fruit
3 in British Columbia two years ago.

4 Q. The way you would handle these special
5 costs which might occur in one section of the country
6 and not in another is by paying the costs out of the
7 federal treasury?

8 A. If the railroads must need subsidy, yes.
9 I am not advocating subsidy, I am not competent to say
10 whether they need it. That is not the question, but
11 the answer to your question is "Yes".

12 Q. If there is any additional cost through
13 the mountain, you should not bear it directly?

14 A. Correct.

15 Q. But it should be met out of the national
16 treasury?

17 A. Agreed.

18 MR. HUME: I have no questions.

19
20 CROSS-EXAMINATION BY MR. SINCLAIR:

21 Q. Mr. Parker, I represent the Canadian
22 Pacific.

23 A. I am glad to know that.

24 Q. I thought, if you will look at page 2,
25 so that I would not be censored, maybe you would put
26 the Canadian Pacific mileages in there too. Could
27 you expand your brief to that? The first figure is,
28 Winnipeg ---

29 A. Which paragraph is that?

30 Q. The third complete paragraph:



1 "The Canadian prairies are in the centre
2 of the continent. Winnipeg is 1,414.1 miles
3 by rail from Montreal and 1,464 miles from
4 Vancouver (C.P.R.)."

5 A. That is not where the C.P.R. meant to be
6 in Vancouver, but it is all right.

7 Q. Now, on page 2, would you agree that
8 freight rates have not prevented grain from moving into
9 the United States from Western Canada?
10

11 A. No.

12 Q. Freight rates have not prevented livestock
13 from moving from Western Canada to the United States?

14 A. No, they have gone by truck.

15 Q. You have never heard of any livestock
16 moving across the border by rail?

17 A. Not much recently.

18 Q. Do you not think there is a large move-
19 ment by rail out of Alberta of livestock to the United
20 States in the last year?

21 A. Down to San Francisco and Los Angeles, yes.

22 Q. There was a substantial shortage of cars
23 at one time to meet a large peaking?

24 A. Yes.

25 Q. And also some came from Manitoba and went
26 to the United States?

27 A. Some.

28 Q. And lumber moves from Western Canada to
29 the United States, and it is not hampered in that by
30 freight rates?



1 A. Well, it moves, anyway.

2 Q. So, it is reasons other than freight
3 rates that you have in mind in the last sentence, "Trade
4 has been forced artificially over long distances east
5 and west, and the advantages of more economical markets
6 to the south have been substantially lost to the prairie
7 producer."

8 A. No, that is not the answer. Your
9 transcontinental system, which was necessary to develop
10 Canada, automatically compelled our trade to move east
11 and west in a large measure -- predominantly so.

12 Q. There is no shortage of rail lines be-
13 tween Canada and the United States -- Western Canada?

14 A. No.

15 Q. Have you not in mind some government
16 policy with respect to tariffs or something of that
17 nature?

18 A. Pardon?

19 Q. Have you not in mind some government
20 policy with respect to tariffs, or something of that
21 nature, when you wrote that?

22 A. Yes, definitely so.

23 Q. Page 3, the first complete paragraph,
24 you say there -- and I take it you are talking of
25 Western Canada in the sense ---

26 A. The three provinces.

27 Q. The three prairie provinces. "There
28 is also considerably less competition from other modes
29 of transportation." Have you ever looked up the Canada
30



A. Well, it moves, anyway.

Q. So, it is reasons other than freight

rates that you have in mind in the last sentence. That

has been forced artificially over long distances and

and west, and the advantages of more economical

to the south have been substantially lost to the point

of

A. No, that is not the answer. That

transcontinental system, which was necessary to develop

Canada, automatically compelled our trade to move east

and west in a large measure -- predominantly, and

Q. There is no shortage of rail lines

between Canada and the United States -- western Canada

A. Yes.

Q. Have you not in mind some government

policy with respect to tariffs or something of that

kind?

A. Yes.

Q. Have you not in mind some government

policy with respect to tariffs or something of that

kind, when you spoke of that?

A. Yes.

Q. Page 3, the third sentence reads:

"You say none -- and I have in you are talking of

Western Canada in the sense --"

A. The three provinces.

Q. The three provinces --

is also considerably less competition from other

"Have you ever looked up the United



1 Year Book and calculated the number of trucks per capita
2 in the various provinces of Canada?

3 A. No.

4 Q. Would you be surprised to find that the
5 number in the first four -- that there are three of the
6 four western Canadian provinces?

7 A. Farm trucks.

8 Q. Have you ever calculated it with respect
9 to motor vehicles per capita -- common carrier trucks
10 per capita?

11 A. No.

12 Q. You just think there may be less truck
13 competition for the railways in Western Canada? You
14 really don't know, do you?

15 A. I think I know.

16 Q. How do you know?

17 A. Well, we find difficulty in trucking our
18 grain from any place in Manitoba to the lakehead.

19 Q. You would find great difficulty?

20 A. Yes -- in other words, the captive traffic;
21 there is no competition.

22 Q. That is because of the volume of the
23 movement and the exceedingly low rates on the railway;
24 isn't that so?

25 A. The volume and distance, 'yes. Rates,
26 I am not too sure.

27 Q. Do you think a farmer could truck his
28 grain from Starbuck to Fort William for less than 3 cents
29 a ton mile?
30



1 A. No, he could not truck it.

2 Q. And the rail rate is, we will say,
3 Starbuck to Fort William ---

4 A. Fourteen cents a hundred.

5 Q. Yes, say around six-tenths of a cent?

6 A. Right.

7 Q. But for other matters, other than grain --
8 poultry, dressed meats, livestock, foodstuffs, inbound
9 and outbound, trucks do carry that in competition with
10 the railways throughout Western Canada, don't they?

11 A. They do.

12 Q. Mr. Parker, I am now looking at the last
13 complete paragraph on page 3, the result of the appli-
14 cation of the statutory rate 1925 which became fully
15 operative in 1927, was to treat the grain shipments to
16 export positions as a whole; that is, to consider the
17 grain movement as one single movement both eastbound and
18 westbound?
19

20 A. Right.

21 -

22 -

23 -

24 -



1 Q. And if it was excepted, I think you will
2 agree, Mr. Parker, the farmers who were west of the
3 break point, freight break point, in Saskatchewan,
4 would be able to ship through B.C. points and those
5 east of the freight break would be able to ship through
6 the lakehead?
7

8 A. At no extra cost to us in Manitoba.

9 Q. Without any extra cost to anybody? Is
10 that not so? That was the plan?

11 A. Yes, that was the plan determined to be
12 in the national interest.

13 Q. And they also wanted, obviously, to have
14 the same rates mile for mile, no matter where the grain
15 originated?

16 THE CHAIRMAN: You might speak a little
17 louder, Mr. Parker.

18 THE WITNESS: I am sorry, Mr. Chairman.

19 MR. SINCLAIR: Q. That was the plan -- to
20 have the same mile for mile rate on grain, irrespective
21 of where it originated?

22 A. But I have seen figures where the rate
23 mile per mile is not the same.

24 Q. Within the blocks?

25 A. Within the blocks, yes, but Regina rate
26 per mile to the lakehead is different from the Winnipeg
27 or Brandon rate to the lakehead.

28 Q. Oh, yes, but within the blocks.

29 A. Yes, but the per mile rate is greater
30 here than it is from Regina, for instance.



1 Q. But, on the average, that was the plan
2 -- not to have higher rates because the shipping point
3 was on a branch liner rather than on a main line?

4 A. That's correct.

5 Q. And the whole plan was to treat the
6 entire western grain movement to export positions as
7 one single movement?

8 A. That's right. That was the concept of
9 the Order.

10 Q. That was the concept of the statute;
11 wasn't it?

12 A. Well, all right, the statute, then.

13 THE CHAIRMAN: We will take five minutes'
14 recess.

15 ---Short recess.

16 THE CHAIRMAN: Order, please.

17
18 Gentlemen, in view of the weather, and having
19 some consideration for my colleagues -- forgetting
20 myself, for the moment -- I think we will sit until five
21 p.m. and not sit tonight. But, again, remembering
22 the acoustics of this room -- beautiful as it is -- I
23 must ask the witness and counsel to speak up loudly
24 so that those in the audience can hear what is being
25 said.

26 THE WITNESS: Mr. Sinclair, before you ask
27 another question, may I go back on one you asked about
28 trucks ---

29 MR. SINCLAIR: By all means.
30



1 THE WITNESS: --- and elaborate a little
2 further?

3 MR. SINCLAIR: By all means.

4 THE WITNESS: I refer you to the Canada Year
5 Book --Canada Year Book, 1959, on page 804, table 13.
6 There is a table there showing the number of trucks in
7 Manitoba; trucks for hire.

8 Now, in answer to your question -- you said
9 there were per capita more trucks in Manitoba, or in
10 the West, than in some other provinces or areas. And
11 I said farm trucks are generally not for hire. The
12 percentage for hire trucks, Manitoba related to the
13 whole, is $2\frac{1}{2}$ per cent.

14 MR. SINCLAIR: Q. Related to the whole of
15 what?

16 A. Canada. The table is at page 804,
17 Canada Year Book, 1959.

18 Q. Yes, Mr. Parker. Of course, you would
19 agree that it is not unheard of for a farmer to bring
20 in livestock and take back goods for his neighbour?

21 A. You can't do it in Manitoba.

22 Q. I never asked you what you could to. I
23 asked you what they did do. Would you agree?

24 A. You would expect me to make a statement
25 here to implicate my neighbours?

26 MR. SINCLAIR: We will give you immunity on
27 that.

28 THE CHAIRMAN: In your youth in Manitoba you
29 are speaking of now, Mr. Sinclair?
30



1 MR. SINCLAIR: Take it right across Western
2 Canada, not just Manitoba.

3 MR. MAURO: Probably they do it in Saskatche-
4 wan. I don't think they do it here.

5 MR. SINCLAIR: Q. We know they do, Mr. Parker,
6 don't we?

7 A. No, I don't know.

8 THE CHAIRMAN: You could use the Fifth
9 Amendment, Mr. Parker.

10 MR. SINCLAIR: Q. And when you are looking
11 at trucks, you have to consider trucks that move goods
12 both for hire and private carriers?

13 A. Yes.

14 Q. Now, Mr. Parker, the Manitoba Pool be-
15 lieves, I am sure, that the difficulties of the Western
16 Canadian farmer in marketing his crop and moving it to
17 export positions are substantial?

18 A. It is an understatement.

19 Q. And in the immediate future there is no
20 indication that they are going to grow less?

21 A. I agree with you.

22 Q. Therefore, the free movement of farmers'
23 crops to export positions is essential for the economic
24 well-being of Canada?

25 A. Agreed.

26 Q. And if the cost of moving that crop to
27 export positions is greater than the revenues under
28 existing rates, certainly the farmers now and in the
29 immediate future are not able to pay? You would
30



1 agree with that?

2 A. I would agree that he is not able to pay
3 any additional cost.

4 Q. Would you not agree that any additional
5 cost that could rightfully be applied to these rates
6 under existing circumstances should be an obligation
7 of all the people of Canada?

8 A. Well, would you repeat the question, Mr.
9 Sinclair, please?

10 Q. Would you agree that any additional
11 revenues that are required for the movement of the
12 farmers' crops in Western Canada to export positions,
13 above the revenues now being received, are a national
14 obligation upon all the people of Canada?

15 A. First, I agree, Mr. Sinclair, that the
16 farmer at the present is unable to pay additional costs,
17 whether they be transportation costs, or otherwise,
18 because of the factors you mentioned previous to the
19 direct question. If the railways can prove that
20 they require additional revenue, unobtainable by in-
21 creased tariffs, and if it is agreed in the national
22 interest you must maintain what you have now, then it
23 becomes a requirement of the federal treasury in the
24 national interest.

25 Now, that does not mean to say, Mr. Sinclair,
26 that I agree that if you require federal subsidy that
27 the subsidy should be granted in the interest of the
28 western grain producer. It may be in the national
29 interest to maintain present tariffs, but subsidy, if
30



1 required, and is granted, is an overall subsidy because
2 we require the railways.

3 Q. One point further, Mr. Parker, on page 4,
4 just before you come to branch lines, your heading,
5 "Branch Lines," you say:

6 ". . . if rail costs are to be designed to support
7 a standard of living too far in advance of his
8 his own."

9 That is, too far in advance of the farmer's. To
10 support a standard of living by whom, Mr. Parker?

11 A. By whom, or to whom; for whom?

12 Q. Whose standard of living?

13 A. Railway employees.

14 Q. Are you suggesting that railway employees
15 are overpaid?

16 A. No.

17 Q. Well, then, whose standard of living did
18 you have in mind?

19 A. Does also increase its efficiency.
20 Man-hour output in agriculture for the last ten years
21 has increased significantly greater than any other
22 industry. I don't like to refer to the C.P.R., but
23 let's just refer to the C.P.R. firemen on diesels
24 and freights and switchers. That is what we mean.

25 Q. That is what you mean?

26 A. That is efficiency of man-hour output,
27 not referring to wages or salary. I am not competent
28 to determine that at all. All we ask is that other
29 workers in other industries put in the same effort as
30



1 the agriculturalists are putting into theirs.

2 Q. Of course, you know, Mr. Parker, that
3 the whole question of firemen on Canadian Pacific
4 freight and yard diesels has been determined and that
5 these men are coming on?

6 A. I know. I know the answer to that. I
7 mention that as an example of efficiency which we hope
8 the railways may be able to attain and maintain.

9 Q. You mean there may be other areas ---

10 A. There may be.
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1 Q. You mean there may be other areas where
2 in the future similar difficulties may be met?

3 A. There may be, but I am not identifying
4 them because I don't know; we are just suggesting that.

5 Q. Now, just a very small point for clarifi-
6 cation of your brief, and I am sorry to take you back
7 to page 2. You say there that the farmer has "continued
8 to pay the same freight rates in times of low prices and
9 in times when general economic conditions in Canada were
10 poor."

11 Now, the railways, Mr. Parker, have from time
12 to time given substantial rate reductions to assist the
13 farming community of Western Canada, have they not, in-
14 cluding one fairly recently this year in relation to
15 hay, straw and fodder to prairie points. They have
16 reduced the rates by one-third on account of the
17 situation of the wet fall?

18 A. Yes, resulting from an act of God, that
19 is right.

20 Q. They have helped them out in that?

21 A. Yes.

22 Q. And also with respect to livestock in
23 areas where there is difficulty?

24 A. They have done it at certain times. We
25 are referring here particularly to the movement of grain.

26 Q. Let me see if you would agree with this:
27 you have been very closely associated with these pro-
28 blems for a good many years. In the 1930's, apples,
29 fruit and vegetables from British Columbia, Saskatchewan
30



1 and Manitoba were moved into depressed areas by the
2 railways; do you remember that?

3 A. Yes.

4 Q. Beet pulp was moved from Alberta and
5 Saskatchewan to Manitoba areas in 1936, 1937 and 1938
6 at one-third off the normal rate; do you remember that?

7 A. No, I don't recall that, Mr. Sinclair.

8 Q. And so on through the years; 1930, 1931,
9 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940,
10 1941, 1944, 1945, 1946; special rates have been put
11 in on grain, hay and flour between prairie points to
12 move feed.

13 A. Well, we have to take your word for it;
14 I don't know, I can't confirm this.

15 Q. At least, there have been special rates
16 to assist farmers in these areas from their misfortunes
17 of weather and moisture involving shipments at reduced
18 rates for livestock, vegetables and potatoes as well
19 as feed?

20 A. Other people besides the railroads made
21 contributions of a similar character and because of the
22 existing circumstances.

23 Q. That is right.

24 A. That gratuitous assistance from the
25 railroads is not peculiar to the railroads, and further-
26 more, perhaps the railways had some vested interest
27 in keeping these ^{people} established there, because they were
28 freight payers and they have been freight payers since
29 that time.
30



1 Q. That is right, Mr. Parker, but it is a
2 fact that the railways did assist when assistance was
3 necessary, and the Canadian Pacific has always considered
4 itself to be a part of Western Canada and have tried to
5 assist in its development. You would agree with that?
6

7 A. Oh, I would think so. I wouldn't expect
8 it to do any less.

9 Q. Now, on this matter of branch lines.
10 Branch lines serve local communities?

11 A. I agree.

12 Q. And where a branch line is uneconomic,
13 the opposition to its abandonment is local opposition?

14 A. Agreed.

15 Q. And if there is inconvenience or loss,
16 it is local loss if a branch line is abandoned?

17 A. Primarily, yes.

18 Q. Mr. Parker, with your close association
19 with the farming and rural community of Western Canada,
20 and Manitoba in particular, you know the Canadian
21 Pacific have, before they abandon a service, made it
22 a practice of going to the country with their officers
23 and advising them and discussing the situation with those
24 people through the country. For instance, every time
25 a passenger train is going to be abandoned, that is the
26 procedure.

27 A. I think that is right.

28 Q. And notwithstanding that sometimes there
29 is very great opposition to the removal of a passenger
30 train service by local communities?



1 A. Well, you know better than I. I don't
2 have access to the opposition except at specific points.

3 Q. Yes. Would you agree, Mr. Parker, that
4 if the railways filed to abandon, filed with the Board
5 to abandon a passenger train service, that the onus of
6 proving to the Board that it should be continued should
7 be on the persons objecting to the abandonment?

8 A. I think that those objecting would
9 have to present a case that would satisfy the Board
10 that it was not in the best interests of all concerned
11 to so abandon.

12 Q. Would you agree, further, Mr. Parker,
13 that the statute might well be amended to make that
14 situation clear?

15 A. I couldn't answer that question, Mr.
16 Sinclair. Now, just a moment: when you say the onus is
17 on the particular people who are concerned in objecting
18 to the abandonment; it is their responsibility, but
19 you will agree that they may seek whatever assistance
20 they need in presenting a case?

21 Q. Oh, by all means. For instance, the
22 assistance of your organization and all the people ---

23 A. We might not be very helpful.

24 Q. I am certain that you would, sir.

25 A. Thank you.

26 Q. Now, your recommendation as set forth
27 in paragraph 4, would you clarify that for the Com-
28 mission, please, and also for me, when you say "their
29 out-of-pocket costs". Do you see that? It is the
30



1 last sentence.

2 A. Yes.

3 Q. By "bear" out-of-pocket costs" do you
4 mean maintenance and train operation costs alone,
5 excluding depreciation and cost of money?

6 A. During the transitional period -- well,
7 the point we make here, Mr. Sinclair, is that the capital
8 invested in the track right of way, if you abandon it
9 you have lost it anyway except for any salvage recovery
10 which you may get, so we are suggesting you are not
11 entitled to a return on that capital that is presently
12 there.

13 Q. You would agree that we would be entitled
14 to a return on the salvage value for whatever period ---

15 A. I think I could grant you that, because
16 by the time you get it out it will not be worth much.

17 Q. You don't think the rails are worth much?

18 A. Yes, but it costs a lot to recover them.

19 Q. Don't you think that ties are recoverable?

20 A. Not if they have been down that long.

21 Q. Don't you think that stations are re-
22 coverable in part?

23 A. Well, now, we are talking about grain
24 rates, and we have some doubts as to whether you need all
25 the stations you have on some lines. I am not referring
26 to the Canadian Pacific Railway here, but I am sure that
27 applies to both.

28 Q. Let us talk about the Canadian Pacific
29 Railway now, if you don't mind, because I am very
30



1 interested in this.

2 A. Well, you have closed some stations.

3 Q. I think we have closed quite a few.

4 A. Yes, we agree with you.

5 Q. I must say that we have received full
6 cooperation from your organization in that regard.

7 A. We think they are superfluous as far as
8 the grain movement is concerned at a great many points.

9 Q. So, you are not complaining as to the way
10 Canadian Pacific has gone about closing stations that
11 were not necessary?

12 A. Not at all.

13 Q. We are going back to this question here
14 that when you say "bear out-of-pocket costs" what you
15 are now saying is that you have in mind maintenance and
16 train operation costs and return of salvage value, but
17 would you also include depreciation until such time as
18 the asset values were retired?

19 A. No.

20 Q. You wouldn't even allow depreciation?

21 A. No.

22 Q. In fact, then, you are impairing capital?

23 A. It is already impaired or you wouldn't
24 want to abandon it.

25 Q. Then, why would you keep the transitional
26 period?

27 A. Until we determine whether in the national
28 interests it is economical and socially desirable to
29 abandon or maintain.
30



1 Q. But immediately the determination is made
2 that the branch line should be continued, for whatever
3 reason, then the capital isn't sunk^{-en} capital at all, it
4 is necessary capital?

5 A. It would be.

6 Q. Is it your view that the railways involved
7 would then have a claim for depreciation and full cost
8 of money on the investment against that fund retro-
9 actively?

10 A. No. Surely your contribution from the
11 transitional period might be considered your contribution
12 to finding out whether or not to keep it or dispose of it.

13 Q. Surely if the railway decided that it
14 should be abandoned and there was objection to it, then
15 for reasons other than railway reasons the line was
16 maintained, surely you would agree that the railway
17 should have it retroactive in its claim against any
18 funds for depreciation throughout the period and for the
19 return of money invested?

20 A. For what reason would you claim that?

21 Q. Just to treat the capital that was
22 invested fairly, and not to impair it.

23 A. But you are willing to throw it away
24 in the first instance.

25 Q. We are not allowed to under your plan,
26 so therefore it has been determined that the capital
27 invested is required, and being required capital, re-
28 quired investment, it is entitled to a return, isn't it?

29 A. But this particular branch "X" that you
30



1 are referring to, you propose to abandon it because it
2 is not making any return on capital, and, in fact, it
3 is probably losing cash in its operating and expense.
4 Consequently, your capital invested is also lost apart
5 from some salvage which you may recover. I ask you
6 on what basis you can claim a return on that capital;
7 it is already by your own action admitted to be lost.

8 Q. Of course, Mr. Parker, in the railway we
9 always consider depreciation as a direct cost, and we
10 also consider return on the investment that is variable
11 as a part of out-of-pocket costs, and what you are sug-
12 gesting, I take it, is a somewhat different approach to
13 that matter.

14 A. But you are asking me to agree with your
15 system of accounting and depreciation in the first in-
16 stance, but I don't necessarily have to agree with that.

17 Q. No, the railway must have its depreciation
18 practices and rates approved by the Board.

19 A. I know.

20 THE CHAIRMAN: We are getting into the realm
21 of argument, I think, counsel.

22 MR. SINCLAIR: Q. It is not your suggestion,
23 Mr. Parker, that there should be set up any suggestion
24 of subsidies being paid where they are not required
25 for the maintenance of facilities in the national
26 interest?

27 A. Oh, if they are not required in the
28 national interest, no, I don't think the treasury should
29 be asked to provide subsidies. Agreed. But I don't
30



1 determine what is in the national interest and neither
2 does the C.P.R.

3 Q. Now, Mr. Parker, this suggestion of yours
4 concerning the railways getting together and bringing
5 about some efficient operation, that was tried with
6 respect to one aspect of railway operation not too long
7 ago in which you and a number of your colleagues and the
8 railways were all engaged for some considerable time.
9 I have in mind, Mr. Parker, if you don't recognize what
10 I am talking about ---

11 A. I recognize it.

12 Q. You recognize that I am talking about the
13 effective use of railway rolling stock, and that was not
14 a very successful get-together, was it?

15 A. No, it wasn't.

16 Q. And it wasn't a very cooperative move that
17 was taken by the grain trade after the Board of Transport
18 Commissioners and the Supreme Court of Canada had issued
19 their rulings in regard to that, in regard to demurrage
20 on grain. You agree with that?

21 A. No, I will not agree that the grain trade
22 was not cooperative in seeking a solution. In your
23 question you have ignored the fact that there was a third
24 party involved, namely, the Canadian Wheat Board.

25 Now, our relationship with both railways, so
26 far as the Manitoba Pool is concerned, has been a very,
27 very happy one and generally speaking, if not invariably,
28 we have got the best of cooperation from both of you;
29 I will put that on the record, sir, but I refer you back
30



1 to the time when we had a transport controller under
2 the War Measures Act, and if you will search the records
3 of the Board of Grain Commissioners you will find that
4 your average time of unloading at the lakehead -- and this
5 is what you are referring to -- was somewhat less than
6 four days over a consecutive period of 24 months, and
7 you moved more grain than was moved in the year before,
8 and we had a lot of cars to be unloaded; so, it wasn't
9 a lack of cooperation between our people and your people,
10 but there was a third party involved and the cooperation
11 wasn't successful.
12

13 Q. But there is no doubt about the result,
14 that the railways, notwithstanding the findings of the
15 Board and the Supreme Court of Canada, are not receiving
16 any demurrage on grain at terminal elevators at the
17 lakehead and Vancouver and internally?

18 A. That is right.

19 MR. MAURO: I would like the record to be
20 clear on this; the Supreme Court of Canada, as I under-
21 stand it, made no decision on the merits of the case,
22 but simply decided, whether the Board of Transport ---

23 THE CHAIRMAN: I think we have had enough of
24 that now.

25 MR. SINCLAIR: I must say, Mr. Chairman, as I
26 have said before, that we are going to take the oppor-
27 tunity at a later date to have something more to tell
28 you on this.

29 THE CHAIRMAN: I have no doubt of that.

30 MR. SINCLAIR: And we will also use it for one



1 specific proposal that we will be having before you.

2 THE CHAIRMAN: Yes.

3 MR. SINCLAIR: Q. Will you now turn to
4 page 5, Mr. Parker, and this is my last question to you,
5 and you say there concerning the branch lines, "that
6 these cases . . . point up major errors in the railways'
7 grain handling cost studies . . ."; what do you mean
8 by that? How does it point up major errors in the
9 railways' grain handling cost studies?
10

11 A. Well, to put it simply, Mr. Chairman,
12 we think your branch lines are causing you a great deal
13 more trouble than the principle of the Crow's Nest
14 rates. We think that you are charging the total costs
15 of your branch line operation, now including invested
16 capital, against the movement of grain, because that is
17 the residual transportation available to you because you
18 have lost the market to other types of transportation
19 in most instances, except bulk products such as grain
20 and coal and some fuel products, but generally speaking
21 you are charging what now would appear to be a mistake
22 of management in building, to branch lines, and that is
23 not said critically, but we feel it is unfair to now
24 charge the invested capital to maintenance, depreciation
25 and cash operating expenses on these branch lines against
26 grain, which is the only major traffic left on these
27 lines.

28 Q. You wouldn't, if the branch line involved
29 was required for the movement of grain -- you wouldn't
30 have that, would you?



1 A. Well, that, then, becomes a branch line
2 problem, and our simple concept is, Mr. Chairman, that
3 if we can determine -- if you can determine the branch
4 line costs, and determine which ones should remain
5 there in the national interest, then it becomes a branch
6 line subsidy rather than a subsidy for something else,
7 or for the grain producer, or something.
8



1 Q. Mr. Parker, we agreed earlier that branch
2 lines were serving local interests, and therefore the
3 only branch lines that would be in the national interest
4 would be for the movement of some commodity that was in
5 the national interest, such as grain?

6 A. Yes.

7 Q. Therefore, what you are saying is that
8 if a subsidy is needed for the movement of grain, for
9 the gathering system, don't call it a subsidy on grain,
10 but call it a subsidy on branch lines; isn't that what
11 it amounts to?

12 A. I think so. It is a branch line problem.

13 MR. SINCLAIR: Thank you very much.

14 MR. HUME: Mr. Chairman, so that the record
15 may not be too spread out, there is something that came
16 up as a result of an answer that Mr. Parker gave to my
17 friend Mr. Sinclair that I don't want to let go without
18 some question on the record. In agreeing with my friend
19 Mr. Sinclair that the for-hire trucker cannot haul grain
20 to the lakehead at .6 cents, you agreed with that -- and
21 he invited you to agree they could not haul it at 3 cents,
22 and you agreed, I think, a little too quickly, because
23 my calculation is that that is 60 cents a mile. Would
24 you know if there is grain moving at 60 cents a mile?

25 THE WITNESS: Sixty cents a ton?

26 MR. HUME: No, 3 cents a ton mile, on a
27 20-ton vehicle, is 60 cents.

28 THE WITNESS: Oh, yes.

29 MR. HUME: And the largest weight limit in
30



1 this province is a 36-ton vehicle which would be over
2 \$1 a mile, and would you agree with me lots of freight,
3 including grain, is moving for less than that?

4 THE WITNESS: Less than that.

5
6 CROSS EXAMINATION BY MR. MACDOUGALL:

7 Q. Mr. Parker, if I may for a moment, I
8 would like to discuss the portion of your brief dealing
9 with the branch line problem. Before I do so I would
10 like to say that we in the Canadian National regard your
11 submission as a very constructive one. As you know,
12 the problem is one the C.N.R. and C.P.R. have been
13 dealing with for a great many years, and, therefore,
14 we can say without question we are glad to have your
15 views, not only because of your interest in railway
16 matters, but in your position as the foremost grain
17 elevators in Western Canada.

18 As I understand your basic thought, and I am
19 trying to get a little wider aspect of it, you feel that
20 the branch line problem would be dealt with more realisti-
21 cally if instead of taking individual branches and deal-
22 ing with them, a study were made of a whole area -- the
23 whole of the Province of Manitoba, or some homogeneous
24 area -- and an overall plan made with respect to the
25 branch line problem in that area?

26 A. That is our thought.

27 Q. Once that plan is made up by the railway
28 concerned, that then that information would be given
29 to the public bodies who may be concerned by it and
30 certain discussions and studies would take place to see



1 what could be done to alleviate the problem to still
2 have reasonable transportation?

3 A. That is our concept. May I suggest
4 that not only the Canadian National but the Canadian
5 Pacific in Manitoba might disclose their proposed
6 plans at some time, because it is an overall transpor-
7 tation picture that you are asking the citizens of
8 Manitoba to look at. You cannot separate the two.

9 Q. You would see a dovetailing of the two
10 railroads?

11 A. Yes, that is the way we look at it.

12 Q. Just on that point, I am sure that on
13 page 6 in the first paragraph numbered 1, where you
14 say, "The abandonment programmes of the railways should
15 be disclosed, rather than hidden . . ."

16 I take it you are not suggesting there is
17 anything hidden in the programmes at the moment?

18 A. No. We don't know what is coming next.
19 Remember, your president made a statement in Ottawa that
20 they had a tentative long-term programme, and I think
21 the public would like to know what it is. I agree
22 they may change their minds before they set it out
23 definitely, but let us have the picture, because I
24 think it is a better approach and will help to create
25 a climate of public opinion which will permit the Board
26 of Transport Commissioners and the railways to do things
27 that you can't obtain through the procedures which you
28 are now pursuing.

29 Q. I think it is fair to say that your
30



1 proposals contemplate this original study and discussion
2 in the area concerned, and then, at some later time,
3 there would be an application made to the Board at
4 which time the parties may be in agreement?

5 A. Yes, that would be the sequence of events
6 that we are thinking of. We don't suggest that is the
7 only plan.

8 Q. But we have on the statute books, as you
9 know, Section 168 of the Railway Act which requires the
10 railway company apply to the Board and no line will be
11 abandoned until the Board has approved?

12 A. That is correct.

13 Q. Therefore, we will have to go to the Board
14 eventually unless the legislation is changed?

15 A. We are not suggesting you should go around
16 the Board and ignore the legislation, or even change the
17 legislation. Abandonment is a complete word, and there
18 are modifications of services offered. There is the
19 time element enters in here. When you ask for aban-
20 donment, do you mean to abandon in the next twelve
21 months? We think some of them may be consummated over
22 a period of five, seven or ten years.

23 Q. Your idea is to create in the mind of the
24 public an attitude or climate which would make them
25 receptive to this kind of approach: would you agree with
26 me it may be desirable in some suitable way to amend
27 the legislation so people would see on the statute books
28 of the country that there is more to it than just a bald
29 statement that the Board must approve? It may be
30



1 helpful?

2 A. I am not competent to answer that
3 question "Yes" or "No", about the legislation; whether
4 it would be desirable to amend it or not.

5 Q. May I say this: would you agree that you
6 would not object to changing the legislation if, by
7 doing that, this favourable plan that you speak of could
8 be more easily gendered?

9 A. No, I have no objection, so long as you
10 protect the interests of the people using the line now,
11 and they have adequate protection so that over a period
12 of time that the abandonment is confirmed you may pro-
13 vide the roads and the necessary facilities at the
14 other terminal points to handle the traffic that must go
15 by rail. However, this cannot be done overnight. I
16 suggest this quite seriously to the railways, and I have
17 done so personally to Mr. Crump and I have written to
18 Mr. Gordon, that you cannot do it that way, because you
19 immediately set up a climate of political opposition
20 which is unfortunate and undesirable in the changing
21 pattern of transportation that we have today. It is
22 a very big problem -- much bigger than just a few
23 branch lines.

24 Q. Yes, I agree with that. On the point
25 you have been speaking of on the resistance generated
26 by an application today you say, "We suggest that there
27 will be little political or other opposition when there
28 is a planned transition to other adequate means of
29 transportation." I would ask you, sir, if you would
30



1 perhaps elucidate a little on that point with this thought
2 in mind, that the people concerned in the line abandon-
3 ments are not only the local farmer himself, but his
4 farm trade organization is concerned, and his local
5 municipal government, and perhaps his county or town-
6 ship, or whatever they have in Western Canada -- the
7 next stage of government -- and the province is interested
8 and the railroads; there are many different parties in-
9 volved, and these discussions would have to perhaps
10 embrace some or all of them?

11
12 A. I think they would have to embrace all of
13 them. You have got vested interests in business firms
14 situated on the line proposed to be modified, and the
15 people concerned who are personally using the transpor-
16 tation. You have your municipal and provincial roads
17 to be changed or constructed otherwise. I don't think
18 you are going to get a lot of abandonments; please don't
19 misunderstand me, I am not advocating the railroads are
20 going to abandon a lot of branch lines, because I don't
21 know, but I think the problem is sufficiently important
22 to the railways and the people concerned that it requires
23 a little more basic study, if I may use that term, than
24 has been given to it heretofore.

25 Q. I think you will probably agree that if
26 a study was made and carried out in the detail you
27 suggest, the railway would probably be coming forward
28 with a plan that would envisage the examination of a
29 number of branch lines -- fifty or one hundred, I don't
30 know -- any number that would not be able to pay their



1 way?

2 A. I think you would find several of those.

3 Q. Would you think there would be a reason-
4 able chance for all of these various interests -- and not
5 all the interests are the same -- that by this means
6 they could be brought together where we would not have
7 any real competition before the Board of Transport
8 Commissioners when they went there to seek the final
9 Order -- because that is the end of the road?

10 A. That statement, as you are interpreting
11 it, is a little too comprehensive -- a little too
12 optimistic. There will still be a residual objection
13 to the abandonment; you are dealing with human nature
14 and personal problems. But, the provision of other
15 adequate means of transportation which would be provided
16 before you abandon your services would tend to offset
17 and persuade people who could not otherwise be per-
18 suaded, and only if it is in the overall national
19 interest it may be done.

20 Q. That is very interesting. I think, to
21 put it briefly, you say that if you can create this
22 favourable plan in people's minds, and if everybody
23 cooperated to endeavour to assist each other to achieve
24 the result of reasonable transportation for the area,
25 you have a fair chance of success?

26 A. I think people are pretty reasonable if
27 you come out and give them all the facts. You can
28 lead them most of the way, but you can't force them very
29 far.
30



1 Q. That is very interesting, and I thank you.

2 I have one other question on page 3, your second para-
3 graph at the top of the page where you suggest "... the
4 higher costs of the mountain region, the problems created
5 by intensive competition in Ontario and Quebec, the
6 high cost of operating in congested areas and the
7 higher percentage of terminal costs resulting from
8 shorter hauls should all be eliminated from the yard-
9 sticks used for Western Canada rate making. We contend
10 that rates generally should be based on prairie region
11 costs alone." I would ask you if in making that
12 statement you have given any consideration to what effect
13 that would have on the present question that is being
14 dealt with in this country of the equalization of
15 freight rates?

16 A. No.

17 Q. You are not sure what effect equalization
18 would have?

19 A. No. I would like to see those figures
20 revealed, though.

21 Q. I would suggest that if you did that,
22 as you suggest, you would have to forget about equaliza-
23 tion, because the higher costs would have to be paid
24 by parties other than those shipping the goods in the
25 prairie regions?

26 A. Maybe; I don't know.

27 MR. MACDOUGALL: Thank you very much.
28
29
30



1 BY THE CHAIRMAN:

2 Q. There are one or two questions I would
3 like to get on the record. You referred to this
4 Rapid City Subdivision from Hallboro to Beulah, and it
5 is 74 miles long, I think you say?

6 A. Yes.

7 Q. And for the record, how many delivery
8 points are there on the line?

9 A. On this section?

10 Q. Yes. Is there a town every ten miles?

11 A. Yes, there is, less than ten.

12 MR. DICKSON: Mr. Chairman, I have the infor-
13 mation here if Mr. Parker would like to check it.

14 THE CHAIRMAN: Q. Well, for the record --
15 not that we are sitting in appeal -- but for the record
16 we should have that.

17 A. There are eleven.

18 Q. There are eleven points?

19 A. Eleven delivery points.

20 Q. Are there one, two or three elevator
21 points?

22 A. There is only the Manitoba Pool, and it
23 has fifteen elevators on that line, and the United Grain
24 Growers has five.

25 Q. And the line elevators -- are they there
26 too?

27 A. There are no line elevators on that par-
28 ticular section.

29 Q. No line elevators -- either pool or UGG?
30



1 A. UGG, five, and the Manitoba Pool.,
2 Recently Manitoba Pool bought the Ogilvie elevators in
3 Manitoba, and I think we acquired one or two on that
4 line.

5 Q. You suggest there was an average of
6 $2\frac{1}{4}$ million bushels of grain shipped?

7 A. Yes.

8 Q. And there are one thousand farmers?

9 A. Yes.

10 Q. So the average production would be a
11 little over 2,000 per farmer?

12 A. Deliveries.

13 Q. Generally speaking, they would be half-
14 section farmers in that area?

15 A. That is right.

16 Q. There is one other question: Mr. Sinclair
17 and yourself bandied about the term "subsidy" today,
18 and there was one suggestion that subsidy might have
19 to be paid by the federal exchequer: should that be
20 paid to or on behalf of agriculture or to the railways?

21 A. Of course, that is a controversial point.

22 Q. I know it is, and that is why I am putting
23 the question.

24 A. We contend that if a subsidy is required
25 for branch line maintenance, that that is a national
26 problem and that is in the national interest that the
27 branch line should be maintained there, and the national
28 treasury should pay it as a subsidy to the railroad.

29 Q. And not to agriculture?
30



1 A. Not to agriculture.

2 Q. Even although agriculture may be involved?

3 A. Exactly. You may find branch lines
4 elsewhere than in the three prairie provinces.

5 Q. I don't mean branch lines only, but the
6 whole problem. If the Commission should find -- and I
7 am not prejudging -- but if it has to find, on these
8 statutory rates and competitive rates, if there is to
9 be any subsidy, would you say that has to be paid to
10 agriculture, or in respect of agriculture to the rail-
11 ways, or to the railways themselves?

12 A. I would suggest that if it is found
13 necessary to make some subsidy payment to the railroads
14 that it should be paid to the railroads without any
15 strings attached in allocating it to any particular
16 freight users. I am not advocating subsidy either,
17 Mr. Chairman, because I am not competent now to say the
18 railways are entitled to a subsidy or not. Personally,
19 I don't like the idea, but that doesn't mean anything
20 here.

21
22 BY MR. ANSCOMB:

23 Q. Would you clear this in my mind, and I
24 had no intention of asking you anything, but now the
25 Chairman has raised it again, and as I understand it
26 you say that if the railways -- and never mind whether
27 they are branch lines or the main line -- do not get
28 sufficient revenue for the carrying of the grain, that
29 the subsidy should be given to them: now, I am not
30 going to enter into a political argument with you or



1 anybody else, because I live on the other side of the
2 mountains, but the fact would be if that conclusion
3 were arrived at, that the reason they didn't get enough
4 was because their freight rate was not high enough,
5 you would agree with that, wouldn't you -- you couldn't
6 do anything else; that is logical?
7

8 A. Well, all right.

9 Q. The rate is not there. If it does not
10 produce it, it must be because it is not high enough,
11 and, surely, if that is so, why should the subsidy
12 be given to the railway? It is going to be given,
13 anyhow -- presumably it is going to be given, according
14 to everybody's view at the moment -- but I can't get
15 into my mind why everybody is frightened to say where it
16 is going and why?
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1 A. Well, first you have to determine what
2 costs are truly and equitably adequately allocated to
3 the particular movement that you are talking about.

4 Now, frankly, we do not agree with the railways'
5 allocation of cost, but I am not going into that because
6 I am not competent to argue it, and that is not the
7 purpose at this moment. But you are dealing here with
8 the C.P.R. It is under a contractual arrangement to
9 handle grain at a certain cost for perpetuity, and for
10 what reason do you break the contract?

11 Q. Well, now, as I tell you, now, I'd
12 love to get into an argument with you, but I am not
13 going to do that.

14 A. The history beyond the contract.

15 Q. Oh, well ---

16 A. Well, I won't go into that, either. I
17 don't want to get into that. That is not my province.

18 THE CHAIRMAN: The only point was why should
19 the subsidy be not paid on behalf of the western grain
20 producers?

21 THE WITNESS: Well, now, let me put it this
22 way to you, sir. You have had some political exper-
23 ience ---

24 THE CHAIRMAN: Very little.

25 THE WITNESS: I regret to say that is a fact.
26 Put it this way: if a subsidy is paid on behalf of the
27 western grain producers, it will be a matter of debate
28 every time the budget comes into the House. Isn't that
29 right, sir; whether it shall assume one million dollars
30



1 or something less or something greater. So that,
2 every year the diminishing voting percentage in
3 Western Canada and these three provinces will be
4 fighting a budget debate in the House and we will have
5 lost the full protection of the Crow's Nest Contract.
6

7 Now, as far as I am concerned, that is my
8 basic reason for disagreeing with any suggestion that
9 you should recommend any subsidy on behalf of the
10 western grain producers.

11 THE CHAIRMAN: That is the answer you make?

12 THE WITNESS: That is my answer. It is
13 purely a political answer.

14 This will be, frankly, settled in the House
15 of Commons in every year. If it is a subsidy it will
16 be adopted in the budget, and our experience is not too
17 happy.

18 THE CHAIRMAN: Politics is a science of
19 government and ---

20 THE WITNESS: A science of politicians, not
21 of statesmen.

22 THE CHAIRMAN: --- and we all should recognize
23 that.

24 We will have five minutes' recess.

25 ---Short recess.

26
27 THE CHAIRMAN: Order, please. All right,
28 Mr. Mauro.

29 I think, gentlemen, we are going away behind
30 in our schedule, and Canada is a very big country, as



1 we have found out now. We have given so much time to
2 Winnipeg, and we do not mind work, as I said yesterday.
3 I think tonight we will have to sit from seven-thirty
4 to nine o'clock. I hoped to avoid it, but we will sit
5 now until five and meet again at seven-thirty. Might
6 I appeal to counsel -- I do not want to restrict cross-
7 examination in any way, but if counsel could possibly
8 arrange to cut down, so there will be no duplication
9 at all, it would be appreciated.

10
11 MR. SINCLAIR: Mr. Chairman, I do recognize
12 that the Commission started this morning at nine-thirty.
13 You are now suggesting that they sit until five o'clock
14 and then from seven-thirty until nine. The fact that
15 we only received these briefs -- some of them that are
16 coming up -- on Sunday, we are hearing them for the
17 first time as the witnesses are putting them in before
18 the Commission. And if we are going to be of assis-
19 tance, they require some thought and analysis, and we
20 cannot -- at least I cannot; I will speak only for myself --
21 I cannot deal with them that quickly and be of the
22 assistance that I hope I am being and I am trying to be
23 to the Commission.

24 THE CHAIRMAN: Is there any one brief you
25 have in mind particularly?

26 MR. SINCLAIR: I was wondering if my friend
27 Mr. Mauro -- who is in the unfortunate position of
28 having eleven briefs to deal with in a very, very
29 short period -- whether he and the rest of us could not
30 possibly meet with Mr. Cooper to see if some of them



1 might appropriately be set over to when the Province of
2 Manitoba is making its submission in Ottawa. And I
3 make that as a suggestion.

4 THE CHAIRMAN: Have you any ideas in that
5 connection, Mr. Mauro?

6 MR. MAURO: You will recall, Mr. Chairman,
7 that I have since almost September constantly requested
8 that this Commission take one week in the capitals. I
9 advised the Commission secretary again of this fact,
10 that we should, from what I could see of the Winnipeg
11 submissions -- that it would take one week. I think
12 still that these regional hearings are just that,
13 "regional", in scope and in treatment.

14 Now, the witnesses have been exposed to more
15 searching cross-examination, and I in no way want to
16 restrict my learned friends in their examination. But
17 the point is that ---

18 THE CHAIRMAN: Well ---

19 MR. R. E. MOFFAT: Mr. Chairman, I wonder if
20 I could say just a word on behalf of the Manitoba
21 Federation of Agriculture. There are a considerable
22 number of farmers who have been in the audience both
23 today and yesterday, as the Commission is aware, and I
24 think it would be most unfortunate that there is any
25 suggestion here that some of these briefs would go to
26 Ottawa, because I think these men are entitled to hear
27 what is being said, and hear the discussion.

28 THE CHAIRMAN: We don't want them to go to
29 Ottawa.
30



1 MR. MAURO: I think these briefs were supposed
2 to be regional.

3 THE CHAIRMAN: We have come out here to hear
4 what the people have to say, and this is where we will
5 hear it.

6 MR. SINCLAIR: I withdraw the suggestion, Mr.
7 Chairman.

8 THE CHAIRMAN: I thought you would, Mr.
9 Sinclair.

10 I wonder if there is any other suggestion.
11 From our information, Edmonton briefs are not as many as
12 had been expected. Would it be impossible, Mr. Doherty,
13 to put the Regina sittings a day ahead and sit an extra
14 day here. Would that inconvenience Regina?

15 MR. DOHERTY: That is something that I had not
16 thought of, Mr. Chairman. I think it is a possibility.
17 I would like to discuss it with the people in Regina.
18 We could get in touch with the people presenting on
19 Friday. We could get in touch with the people pre-
20 senting the briefs and notify them, but I am thinking of
21 the public. I would like to discuss it with the people
22 in Regina.

23 THE CHAIRMAN: I know Regina and I know fairly
24 well all the west, and I am anxious that we give every
25 place an opportunity, and I am only speaking particularly
26 of the situation here.

27 As Mr. Mauro knows, in drawing up this schedule
28 we had in mind the great amount of work we have to do.
29 If I gave you our schedule you would see we have to go
30



1 to Toronto; we had to go to Winnipeg; we had to be
2 all through the Maritimes -- and we have to digest all
3 this evidence and consider all these suggestions made
4 by Mr. Parker and others.

5 MR. MAURO: That is why we think that time
6 is necessary, Mr. Chairman. We know you have some
7 kind of a deadline; as you so often say, you would like
8 to finish it in your natural life, and so would some
9 of the others.

10 THE CHAIRMAN: We are told by the Order in
11 Council to proceed with despatch.

12 MR. MAURO: That is why we want you to hear
13 everything here in Winnipeg.

14 MR. DOHERTY: Might I just say, just making
15 a prejudgment of what we have to meet in Regina ---
16 speaking to the Regina briefs, and thinking we have
17 Friday, Saturday and Monday there, I believe the
18 Commission are leaving Regina early Monday afternoon?

19 THE CHAIRMAN: That would be Saturday,
20 Monday and Tuesday there. Perhaps we can pick up some
21 time there. Take three or four days ---

22 MR. DOHERTY: I think three days would be
23 well chosen, Mr. Chairman. If you would like me to
24 explore that possibility with them ---

25 THE CHAIRMAN: Well, do you want to sit
26 tonight, then, Mr. Sinclair, or not? You do not, I
27 take it?

28 MR. SINCLAIR: Well, Mr. Chairman, as far
29 as I am concerned, I think that I can work as long hours
30



1 as anyone else, and I am prepared to keep going as long
2 as the Commission wishes to go forward, and I will
3 pick up this material as I can. I have no desire to,
4 certainly, circumvent the time the Commission is wishing
5 to spend, and I am sorry that we have wasted this time
6 in this, although maybe Mr. Doherty's investigation
7 may prove fruitful.

8
9 THE CHAIRMAN: Well, again, there is the other
10 angle that has been raised by the secretary that, un-
11 fortunately, there are a number of us and we cannot
12 probably make connections.

13 Well, in any event, let us get on with the work
14 now.

15 Will you call your next witness, Mr. Mauro,
16 and we may have to come back to this matter.

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1 MR. MAURO: The next submission is that on
2 behalf of the City of St. James, Mr. J. S. Hanna,
3 City Solicitor of the City of St. James.
4

5 THE CHAIRMAN: All right, Mr. Mauro.

6
7 J. S. HANNA, called

8 MR. HANNA: Mr. Chairman and gentlemen of the
9 Commission, when we sent in this brief on the 18th of
10 January we were advised by the Chamber of Commerce and
11 the City of St. James, and they requested we amend
12 paragraph 10. Paragraph 10 summarizes what we are
13 requesting the Commission to look into and, with the
14 Commission's permission, I would like to delete the
15 paragraph 10 in the original submission and substitute
16 another paragraph. I have twenty-five copies of it
17 here.

18 I suggested to the secretary that it be
19 distributed, but he said he would prefer to wait until
20 today, so I will give twenty-five copies of the amended
21 paragraph to the secretary.
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1 THE CHAIRMAN: When did you get this, Mr.
2 Sinclair?

3 MR. SINCLAIR: This is very short, and this
4 doesn't present the difficulties which I had in mind
5 when I spoke to the Commission. We in the railways
6 understand this brief very easily.

7 THE WITNESS: There is nothing very compli-
8 cated about this brief, Mr. Chairman; it is a very
9 simple matter among railway officials, and as I read
10 the brief I think you will find there is nothing
11 controversial about it.

12 1. This submission will deal with the problem
13 of interswitching charges in the industrial area of
14 St. James.

15 2. Under General Order 252 of the Board of
16 Transport Commissioners for Canada, railway carriers
17 are at liberty to establish interswitching or local
18 switching charges -- for distances beyond four miles
19 from the point of interchange -- by means of tariffs
20 which they file pursuant to the Railway Act.

21 3. With the expansion of cities, many transfer
22 tracks have been relocated. In some instances the
23 relocation is to a point beyond the four-mile inter-
24 switching limit. The inter-switching charge, therefore,
25 becomes a heavy burden on such business and industry
26 as is thereby affected.

27 4. The City of St. James has been concerned for
28 some considerable time with the existing situation
29 regarding transfer of railway freight cars containing
30



1 freight between the Canadian Pacific and the Canadian
2 National Railways. The St. James Chamber of Commerce
3 has complained to the Canadian National and the Canadian
4 Pacific Railways on numerous occasions re the existing
5 inequities of the switching charges imposed because the
6 area is not within the limit of four miles from the
7 nearest interchange facilities, and has requested
8 that the limit be extended so that such charges will
9 be uniformly similar within the corporate limits of
10 St. James.

11 The relevant facts are as follows:

12 5. In that area of The City of St. James north
13 of Ellice Avenue between St. James Street and Madison
14 Street, and all that area south of Ellice Avenue which
15 is served exclusively by the Canadian National Railways,
16 no additional charge is assessed where traffic is re-
17 ceived over the lines of the Canadian National Railway
18 as the Winnipeg rate applies. When traffic is received
19 from points local to the Canadian Pacific Railway, it
20 must be turned over to the Canadian National Railway
21 either at Paddington, which is southeast of St.
22 Boniface, or through the facilities of the Midland
23 Railway. In addition to the line haul charge,
24 the shipper is required to pay a switching rate of
25 $3\frac{1}{4}$ cents per hundred pounds plus \$2.63 per car. The
26 $3\frac{1}{4}$ cent rate is subject to a minimum per car charge
27 of \$16.65 on general freight, so that a shipper of
28 manufactured articles will rarely pay an additional
29 charge of less than \$19.28 per car received from or
30



1 shipped to local Canadian Pacific Railway points.

2 6. It should be pointed out that this additional
3 charge is assessed without regard to whether the
4 Canadian National can perform the road haul service
5 or not, and, therefore, is not a penalty charge for
6 routing against the carrier performing the switching
7 service. (Supplement #43 to C.N.R. #W 220G/No.W 2232
8 Section 2). Up until January, 1958, the additional
9 charge was 23 cents per hundred pounds on the same
10 type of traffic, totalling \$78.00 on a 30,000 pound car.
11 The higher charge was reduced voluntarily by the
12 Canadian National Railway following negotiations by the
13 St. James Chamber of Commerce. The charges, even
14 at the reduced rate, are still considered a severe
15 penalty by industry located in that area.

16 7. The area north of Ellice Avenue is served
17 by both railways. Both railways can service industry
18 within this area and neither railway is required to
19 place cars which have moved over the road haul of the
20 other. Because both railways publish the same line
21 haul rate to St. James as to Winnipeg, no additional
22 charge is made against industry for the spotting of
23 cars in this area. This area is served under a joint
24 switching agreement whereby each railway operates over
25 the lines of the other when necessary to reach the
26 siding of a shipper. Agreements of this nature are
27 unique and these are probably less than one half dozen
28 in all Canada.

29 8. There does not appear to be any reason for
30



1 great optimism in believing that the joint switching
2 arrangement now effective between Saskatchewan and Ellice
3 Avenues can be successfully expanded to encompass the
4 entire industrial area of the City. The City of
5 St. James has investigated this entire problem very
6 carefully, and is convinced that failure to rectify the
7 situation is having an adverse effect on established
8 industry within The City of St. James, and potential
9 industries which would consider locating in St. James
10 if they were assured of equal service and equal charges
11 over the lines of both railways.
12

13 9. The industrial area wherein this transporta-
14 tion inequity lies is between four and six miles from
15 the nearest interchange facilities (Midland Railways).

16 Now, then, the amended paragraph 10, which
17 we will substitute, would read as follows:

18 10. The City of St. James submits:

19 (a) That an inequity exists in that the railways
20 have not provided an interchange within the
21 corporate limits of St. James, which would
22 provide switching service at nominal cost
23 to industry in the City.

24 (b) That an inequity exists in that the C.P.R.
25 and C.N.R. have not provided an interchange
26 within a reasonable distance of St. James
27 so that industry might be located within the
28 prescribed distance therefrom.

29 (c) That the present interchange facilities
30 through the Midland Railway result in



1 additional charges to St. James industry
2 over and above that charged to industries
3 located in the same general economic area.

4 (d) That while the joint switching provided
5 within the restricted area has removed the
6 effects of the above inequities for those
7 industries located within that area, this
8 concession in no way reduces the injury to
9 those other industries not so favourably
10 located.

11
12 11. The City of St. James recommends that the
13 above inequities be removed.

14 MR. SINCLAIR: Before Mr. Cooper asks Mr.
15 Hanna any questions, I have spoken with my friends
16 Mr. McDonald and Mr. Macdougall, and I think what we
17 have here is possibly two questions; one, the question
18 of inter-switching as such, its mileage and rates, and
19 the other separate and distinct matter, that is, the
20 fixing of interchange points.

21 Now, on the latter, that is, the interchange
22 points, it is my understanding that this matter is
23 raised with the Board of Transport Commissioners by
24 St. James, and that representations for an interchange
25 point within St. James was requested and the views
26 of the two railways, the Canadian National and the
27 Canadian Pacific, were sought and given, and then as I
28 understand it this was conveyed to St. James, and they
29 were asked by the secretary of the Board to make a
30 formal application for the fixing of an interchange



1 point within St. James, if that is what they wished to
2 do.

3
4 Now, I understand that it hasn't moved for-
5 ward from that; that St. James didn't file a formal
6 application.

7 Now, inter-switching and the rates on inter-
8 switching are prescribed by the Board of Transport
9 Commissioners' Order and I think, Mr. Chairman, that
10 it was made clear by the secretary that this is a matter
11 very clearly within the jurisdiction of the Board of
12 Transport Commissioners, and I must say that the
13 conflict here -- I want to be completely frank with the
14 Commission, Mr. Chairman -- that the conflict here
15 about the interchange point within St. James was a
16 conflict that arose by Canadian Pacific saying, "We
17 will make one," and the Canadian National, who were
18 already served in the territory, said, "One is not
19 required."

20 THE CHAIRMAN: If that is so, Mr. Sinclair,
21 we would not be able to deal with it at all under our
22 terms of reference?

23 MR. SINCLAIR: That is the reason I brought
24 it to your attention before Mr. Cooper went into this.
25 I am sorry this happened; if I had had time to get at
26 this I might have saved some time here by making these
27 remarks at the commencement of this particular testi-
28 mony, but I must say that I didn't have time to look
29 at it.

30 MR. COOPER: I may say that I have had some



1 opportunity to look into it from the standpoint spoken
2 to by Mr. Sinclair, and I find that what he has said is
3 exactly the situation with respect to the representa-
4 tions that have been made to the Board, and so on, and
5 the status of the matter now presently before the Board,
6 or at least the status of the matter in the files.

7 THE CHAIRMAN: Yes, in so far as we are con-
8 cerned here.

9 As much as we would like to help you, we are
10 precluded by the terms of reference.

11 MR. COOPER: I would take it, Mr. Chairman, if
12 I may ^{say}/so, that perhaps we should have the problem stated,
13 but that the witness could have no assurance at all
14 that this Commission could take any effective action.

15 THE CHAIRMAN: Yes, he has stated the pro-
16 blem already.

17 MR. COOPER: Yes, I suppose that is so, but
18 I am thinking that if there is any further elucidation
19 anybody felt it necessary to be made, that possibly that
20 could be made without any suggestion at all that this
21 Commission could deal with it.

22 THE CHAIRMAN: Are there any questions?
23 Would you like to ask something yourself?

24
25 CROSS-EXAMINATION BY MR. COOPER:

26 Q. I just thought that I might put this
27 one question, or just summarize what I understand to be
28 the situation, that is, that there are agencies in the
29 City of St. James which pay inter-switching charges?

30 A. Yes.



1 Q. And there are industries which don't pay
2 those charges?

3 A. That is right; a joint service agreement
4 between the two railways in the city north of Ellice
5 Avenue, and there is no such agreement in the other
6 portion, and that is the portion that probably has
7 twenty-five industries in there, and they are being
8 charged, and they resent it.

9 Q. Industries that do pay the charges are
10 paying them because they are more than four miles from
11 an interchange point?

12 A. Yes.

13 Q. And you want that situation corrected
14 either by extending the four-mile limit to six miles
15 or to another number of miles?

16 A. That is exactly it. That is all that
17 is involved.

18 Q. Or, secondly, having the interchange
19 point located within the corporate limits of St. James?

20 A. My friend Mr. Sinclair has been very
21 frank, and I will be very frank with you; there the
22 land has all been sold now, as I understand it, and I
23 doubt very much if at this late date they can get that
24 done. They could have a few years ago, but this thing
25 has been allowed to drag, and I am informed by the
26 city clerk that there is no land available at the
27 present time, so the only remedy as I understand it is
28 to change the limits of the four-mile area.

29 Q. Extend the four-mile area?
30



1
2 A. Yes, another two miles.

3 Q. As I understand it, if that were done
4 it would have to be on a general application applying
5 not only to St. James and many other places, but per-
6 haps that is a question for the Board of Transport
7 Commissioners and that I am going too far in that
8 suggestion?

9 A. I have nothing to say about that.

10 THE CHAIRMAN: Any questions from any other
11 counsel? Mr. Sinclair, any questions?

12 MR. SINCLAIR: No, I have no questions.

13 THE CHAIRMAN: You have made your point.
14 Mr. McDonald?

15 MR. McDONALD: No questions.

16 THE CHAIRMAN: Well, all we can say is that
17 you have given your submission, and I understand that
18 at the moment we have no power to do anything with it
19 because it is a matter that is within the purview of
20 the Board of Transport. However, thank you for
21 coming here; we will see what we can do.

22 THE WITNESS: Thank you very much.

23 THE CHAIRMAN: Mr. Mauro?

24 MR. MAURO: The next submission is on
25 behalf of the Manitoba Beet Growers' Association.

26 THE CHAIRMAN: I think we now come back to
27 the matter of time. Some of my colleagues don't
28 feel we should sit tonight, and there are others who
29 have the same feeling.

30 Now, I imagine that we should give consideration



1 to those people who are from out of town particularly,
2 and who have come here from a distance. Now, you
3 have the Beet Growers and the Federation of Agriculture.
4 Is this gentleman here?

5 MR. MAURO: He will be back tomorrow morning.

6 THE CHAIRMAN: The Farmers' Union?

7 MR. MAURO: Through him.

8 THE CHAIRMAN: And you want to go into the
9 Beet Growers now?

10 MR. MAURO: Yes, we can put the Beet Growers
11 on, and according to your schedule, we are just half
12 a day behind. After we complete the Beet Growers we
13 appear to be exactly one-half day behind.

14 I will call Mr. Deeley.

15
16 ---EXHIBIT NO. 96: Submission of Manitoba
17 Beet Growers Association
18 Incorporated.
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W. J. DEELEY, called

THE WITNESS: Mr. Chairman and gentlemen,
with your permission I will read the brief down to
paragraph 16, and for the matter of saving time the
balance of the brief is simply figures for the use
of the Commission or the railways in framing their
questions.



The Effect of Transportation on the
Industry:

1. It is unfortunate that the Sugar Beet Industry is so adversely affected by transportation both directly on sugar beets, for which the grower pays the full cost, and through the refinery where the grower shares the cost, the grower paying the greater share.

2. Based on our 1958 Cost of Production Survey on Sugar Beets, of the total cost per ton, 14.5 per cent is direct transportation. In addition, there is the transportation on machinery, seed, fertilizer, gasoline, oils, etc.

3. A further 4 per cent is accounted for in the growers' share of the transportation on sugar from the factory. In addition, the transportation on materials used in packaging, etc., contributes to a lower net return through sugar sales expense. The growers have a share contract with the refinery in which transportation on refined sugar, molasses and pulp is included.

4. A conservative estimate of the entire effect of transportation would be about 25 per cent of the cost of production and marketing. A large percentage, particularly in view of the requested increases.

5. The proposed subsidies to the railways would possibly reduce the long haul cost of transportation on products into and out of Manitoba, but the short haul rate payers, such as we are, will not benefit. In fact, the reverse is true. We as tax payers will be, by assisting in subsidies, actually subsidizing our competition from refiners in Eastern Canada thus



1 considerably upsetting our traditional market. It bears
2 repeating that were this allowed to go on indefinitely,
3 with our market and industry lost and without competi-
4 tion, the consumer would certainly not benefit.

5
6 6. In addition to this, the granting of an
7 agreed transportation charge to shippers from Eastern
8 Canada has, for the first time, placed Ontario Beet Sugar
9 into Manitoba. This charge is approximately 50 per
10 cent of the normal rate of \$2.32 before the 17% in-
11 crease was applied. The published freight rate is
12 \$1.13 per 100 pounds Chatham, Ontario, to Winnipeg,
13 Manitoba, by rail and \$1.05 by lake and rail, with a
14 minimum of 100,000 pounds.

15 7. Considerable sums have been spent by this
16 Association to increase the market for beet sugar. We
17 have been successful. The demand for cane sugar has
18 reached an all time low. We now find the Eastern
19 refiners using these benefits by shipping in beet sugar.

20 8. Transportation costs, if increased, will raise
21 the local grower's transportation bill.

22 9. The costs on materials, supplies, machinery,
23 sugar, etc., will be increased.

24 10. Deficits through taxes are being paid to the
25 Canadian National Railways to keep it in business.
26 We are taxpayers. We will also have to bear our share
27 of taxes.

28 11. Added to all this subsidizing and increased
29 transportation costs, we now find ourselves in the
30 extremely ludicrous position of indirectly subsidizing



1 our competition to the possible extent of losing our
2 market, by the granting of special freight rates to
3 that competition.

4 12. The attached appendices will explain further
5 just what effect this will have on the growers and
6 factory, the economy of the Province of Manitoba and the
7 income from transportation.

8 13. The Growers Association would make this point
9 very clear. We are very much concerned with retaining
10 our market. To accomplish this under fair competition
11 is very desirable. But how, when we have no control over
12 world prices or transportation costs, is this possible?
13 A national sugar policy is in the process of being for-
14 mulated with reference to the effect of world prices.
15 This leaves transportation. The present difficulties
16 facing the government with respect to transportation and
17 agriculture in general are understood by this Associa-
18 tion and we would assure you we are doing all that is
19 possible on our part to find an ultimate solution.

20 14. These agreed freight rates are, to say the
21 least, a discrimination against the Manitoba sugar beet
22 industry. As shown in Appendix "A", to ship enough
23 sugar into Manitoba to replace our beet sugar, the
24 railways stand to lose a considerable sum of money.
25 But, even were this a break-even matter, the drastic
26 effect of these rates would be to force this industry
27 out of business with the consequent loss to the economy
28 of the province generally.

29 15. To underline the effect of transportation, the
30



1 world price of sugar dropped 32 cents per 100 pounds
2 from October, 1958 to September, 1959. During the same
3 period, the refiner's price dropped on the local market
4 by \$1.24 per 100 pounds, the price through retail outlets,
5 generally, by \$1.00 per 100 pounds. The retail price
6 cannot be considered too significant when the per
7 capita consumption in Canada is considered to be 96
8 pounds, of this 46 per cent is indirectly consumed
9 through manufactured products. Therefore, the direct
10 benefit to the consumer through retail outlets is
11 approximately 51 cents per year, not much of a benefit
12 when compared to the economy of the industry. Neither
13 can the retailers or manufacturers be expected to
14 calculate their prices for immediate reduction based
15 on a commodity whose cost they are unable to predict.
16 16. In view of the insistence for an increase in
17 freight rates, these agreed charges are absurd.
18 For they are not only jeopardizing our market but also
19 creating confusion in the marketing of our crop with
20 only very minor benefits, if any, to the consumer.

21 The need of the sugar beet industry in
22 the agricultural economy of the province:

23 17. One of the cash crops that can be grown in
24 Manitoba, with a reasonable certainty of success
25 and in sufficient quantity, is Sugar Beets.

26 18. This crop makes up approximately 50 per cent
27 of the value of all cash crops grown in Manitoba.
28 As our population grows, so will the value of the crop.
29 The land and growers are available to increase the
30 crop. In 1959 additional growers with 1600 acres were
under contract to produce sugar beets, making a total
contracted acreage for 1959 of 26,660 acres. The



1 estimated total tonnage for 1959 would have been, but
2 for the disastrous harvest, 260,000 tons with a cash
3 value to the growers of \$3,653,000 -- based on five-
4 year average income per ton. The grower in turn pays
5 out these funds for labour, machinery, supplies, taxes,
6 etc. A further increase in acreage is planned for
7 1960, particularly to replace the 1959 crop loss.

8 19. Here in Manitoba sugar beets are not a
9 surplus crop. All acreage is contracted before plant-
10 ing and a fairly reasonable return assured. In view
11 of the surpluses in other crops as well as the
12 tendency to overproduce in other farm products such
13 as hogs, butter, etc., the extreme importance of this
14 crop becomes apparent. With careful planning of
15 growing, refining and supplying our markets, no sur-
16 pluses or deficits will be possible, provided we are
17 allowed to retain our markets. The retention of these
18 markets is the primary purpose of this brief.

19 20. For example, during the first years of
20 sugar beet production in Manitoba, the war years of
21 1940-1945 inclusive, there was an average of 854 growers
22 with a total yearly acreage of 16,471 acres in sugar
23 beets. Their tonnage amounted, on the yearly
24 average, to 98,055 tons. The sugar produced was
25 276,445 bags per yearly average. A worthy effort
26 considering the extreme difficulty experienced in
27 starting the industry. The point is, however, that
28 there is no need to have the same difficult experience
29 again. By maintaining our industry, along with the
30



1 economic aspects, we have an industry in existence that
2 can and does now produce at least three times this
3 amount of sugar, locally, for local consumption. It
4 will not be greatly interrupted by world conditions.

5 21. Being an import country under the Interna-
6 tional Sugar Agreement, Canada is extremely vulnerable
7 to world conditions with regard to sugar. The one
8 stabilizing influence is the sugar beet industry. If
9 conditions were allowed to exist, in fact, even
10 fostered, that would force the sugar beet industry out
11 of business, Canada would then be entirely dependent
12 on other countries. In the event of war or a world
13 conflict the results can readily be assessed.

14 22. Another stabilizing influence is that on the
15 price of sugar. The price of sugar in Canada is based
16 on the world price of sugar, plus duties, plus freight to
17 Montreal, plus refiner's margin for processing, plus
18 freight to the market. A combination certainly not
19 lending itself to a stable price. For example, during
20 the period of February and March, 1957, as compared
21 to July and August, 1959, the difference was an average
22 of 3.59 cents per pound. It is also a fact that
23 during a time of world crisis, such as Suez or Korea,
24 prices skyrocket on the world market. Therefore,
25 without the stabilizing influence of a local product,
26 the consumer would not benefit to the extent he now
27 does.
28

29 The value of the sugar beet refinery in the
30 economy of the Province:



1 23. The Manitoba Sugar Refinery, processing sugar
2 beets to refined sugar, is situated in Fort Garry
3 (Winnipeg), Manitoba. It started in 1940 to assist
4 in alleviating the short supply of sugar caused by
5 the Second World War.

6 24. From its first year's operation of slicing
7 and processing 90,115 tons of beets to produce
8 220,044 bags of sugar to its planned 1959 operation of
9 an estimated 260,000 tons of beets with an estimated
10 sugar production of 669,500 bags, it has played an
11 active role in the economy of both the farmer and
12 industry. For example, in the 1958 fiscal period
13 its sales were \$6,500,000. Wages and fringe benefits
14 amounted to \$825,000. Materials and supplies were
15 purchased to the amount of \$850,000. Over \$500,000
16 was paid out in transportation on sugar, molasses,
17 pulp and supplies. Miscellaneous items of taxes,
18 storage, insurance, brokerage, commissions, advertising,
19 etc., accounted for another \$950,000, while \$3,350,000
20 was paid to the growers. All this cash was spent in
21 Manitoba and again turned over by those receiving it.
22 A very considerable contribution to the economy of the
23 Province and Western Canada generally. Not one to
24 be considered lightly in view of cash crops and unem-
25 ployment. A very necessary industry to keep in
26 business. An industry ready to expand its facilities
27 as population and markets demand.
28
29
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

Deeley

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Appendix "A"

TRANSPORTATION PAID BY THE INDUSTRY

(Rail Freight on Beets in Manitoba (Last four-year Average))

Average tons by rail:	Raw Tons	Average Raw Rates	Average Freight
Averages	189,397.31	\$ 1.5370	\$290,801.48
Average Rate		\$ 1.5370	

N.B. 1959 crop was very low in tonnage due to early winter storms. The estimated tonnage with a 1600 acre increase for 1959 should have been 260,000 tons at the average freight rate of \$1.5370 would have made the freight for 1959 a minimum of \$398,320. This does not include growers trucking their own beets.

EFFECT ON INCOME FROM TRANSPORTATION BY SUPPLYING OUR MARKET

WITH TRANSPORTATION AT \$1.13 PER 100 lbs.

Sugar Recovered per year:	Average	529,297.90	bags
Average IN Transportation on sugar @ \$1.13 per 100 lbs. Eastern Sugar			\$598,106.62
Loss of Revenue on Manitoba Beets, Average			<u>290,801.48</u>
			307,305.14
Manitoba Sugar Transportation per Year: Average	175,743.06		
Loss of Revenue on Manitoba Sugar		175,743.06	
	Balance		<u>131,562.08</u>
Manitoba Pulp Transportation per Year: Average	232,565.00		
Loss of Revenue on Manitoba Pulp		232,565.00	
	Deficit Balance		<u>101,002.92</u>
Manitoba Molasses Transportation per year: Average	85,908.80		
Loss of Revenue on Manitoba Molasses		85,908.80	
	Deficit Balance		<u>186,911.72</u>



1	Transportation on Manitoba Supplies,	
2	i.e. Packages, Bags, Lime,	
3	Seed, Fertilizer, etc. at	
	the Factor: Total	146,250.00
4	Loss on General Transportation	<u>146,250.00</u>
	Deficit Total	<u>\$ 333,161.72</u>
5	Total Transportation on Manitoba	
6	Beets and Products:	
7	Manitoba Beets	290,801.48
8	Manitoba Sugar	175,743.06
9	Manitoba Pulp	232,565.00
10	Manitoba Molasses	85,908.80
11	Manitoba Other Products	
12	and Goods	<u>146,250.00</u>
13	Total Manitoba Transpor-	
	tation	<u>\$921,268.34</u>
14		
15	Transportation on Sugar	
	@ \$1.13 per 100 lbs.	
16	from Ontario	598,106.62
17	Manitoba Transportation	931,268.34
18	From Ontario	<u>598,106.62</u>
19	Net Loss in Revenue:	<u>\$333,161.72</u>
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		



Appendix "B"

FACTS ABOUT THE INDUSTRY

Established in 1940 and operated continuously since that time.

An average of 850 farmers participating as growers.

An average of 24,500 acres planted to sugar beets yearly.

An average of 217,381.4 tons of sugar beets grown and processed.

An average of 529,298 bags of refined sugar produced yearly.

A total of \$4,469,278.72 invested by farmers in the industry.

Over \$6,378,235.87 invested in the sugar beet factory in Fort Garry (Winnipeg), Manitoba.

A combined grower and factory payroll yearly of at least \$1,825,000.

Sales of sugar and by-products of \$6,500,000.

Over \$3,500,000 in 1958 being returned to the growers for their beets, the grower in turn using this for labour, machinery, supplies and taxes. This amount accounts for approximately 50 per cent of all Manitoba's cash crops.

Materials and supplies purchased by the factory to process and package sugar to the amount of \$850,000.

A further expenditure of \$950,000 is made



1 for insurance, storage, taxes, etc.

2 Transportation to the amount of:

3 \$290,801.48 on beets to the factory

4 \$175,000.00 on sugar from the factory

5 \$ 85,000.00 on molasses from factory

6 \$232,000.00 on pulp from factory

7 \$146,250.00 on Miscellaneous Supplies

8 and equipment.

9
10 Our Manitoba factory produces approximately
11 22 per cent of beet sugar in Canada.

12 Over 75 per cent of the sugar market in
13 Manitoba is supplied from sugar beets

14 Manitoba is not a deficit area for sugar.
15 The entire available market can be supplied 100 per
16 cent with beet sugar.

17 The two appendices attached give figures
18 concerned with the industry itself and with the
19 freight rates based on a three, four or five-year
20 average as compared to what it would take to ship
21 eastern sugar in on a \$1.13 per 100 pounds. That, sir,
22 brings it down to the effect that it is going to have
23 on the farmer growers. There are nine hundred of us
24 in Manitoba. We produce approximately 50 per cent
25 of the total cash crop in the Province of Manitoba.
26 This year the growers will be taking far less per ton
27 of beets due to the reduced price on sugar than they
28 have for quite a number of years. I understand the
29 price went down another 20 cents today.

30 All this agreed freight charge is doing is



1 creating a sugar war, and solely, it seems, for the
2 benefit of everybody except the grower.

3 THE CHAIRMAN: That is the agreed charge on
4 sugar?

5 THE WITNESS: Yes, on 100 pounds of sugar,
6 sir.

7
8 CROSS-EXAMINATION BY MR. COOPER:

9 Q. The Manitoba Beet Growers Association
10 Incorporated -- is that a marketing agency, or what is
11 it?

12 A. The Manitoba Beet Growers Association
13 Incorporated is the association of all beet growers in
14 Manitoba. I work with the growers and the board.
15 There are seven districts in Manitoba; each district
16 has its own board and each board sends in a member to
17 what we call the provincial board, and on the provincial
18 board we argue the contracts and anything concerned
19 with the policy of the beet growers, themselves. It
20 is not a marketing board. We have nothing to do with
21 selling the sugar. We are entirely independent -- in
22 fact, we are on the opposite side of the table from the
23 people who do sell the sugar.

24 Q. Well, it is a growers' organization?

25 A. That is right, sir.

26 Q. How long has it been incorporated?

27 A. It has been incorporated for two years,
28 and it has been in existence since 1940.

29 Q. As an unincorporated body up until two
30 years ago?



1 A. That is right.

2 Q. What is the value of the sugar beet crop
3 in the economy of the province each year?

4 A. If you will turn to Appendix "B", the last
5 page of the brief, you will see that. To put it blunt-
6 ly, without reading it, the combined factory and grower
7 payroll is \$1,825,000; sales of sugar and by-products,
8 \$6,500,000; over \$3,500,000 average went to the growers
9 in 1958. Materials and supplies purchased by the
10 factory, \$850,000. There was \$950,000 for insurance,
11 storage, etc.

12 Q. In paragraph 5 on page 2 you refer to
13 the proposed subsidies to the railways:

14 "The proposed subsidies to the railways
15 would possibly reduce the long-haul cost of
16 transportation on products into and out of
17 Manitoba, but the short-haul rate payers, such
18 as we are, will not benefit."

19 You might just indicate what you mean by the words "the
20 proposed subsidies to the railways."

21 A. May I go back a bit: last spring, in
22 Ottawa, we were asked by Mr. Hees, the Minister of
23 Transport, to prepare a brief for presentation to him
24 and to the Prime Minister, Mr. Churchill and Mr. Harkness,
25 outlining the effect of freight rates on our transpor-
26 tation. At that time and since it has been mooted
27 that the short-haul men should take a larger share of
28 the freight costs; in fact, that was proposed here at
29 the provincial meeting approximately a year ago. Now,
30



1 it was understood at the time of discussing the matter
2 with Mr. Hees in Ottawa -- they mentioned the subsidies;
3 we did not. I wanted to point out to Mr. Hees, and
4 I wanted to point out to the Board too, that subsidies
5 on long-haul freight will do us no good whatsoever
6 because we are short-haul freights; we are approximately
7 70 to 80 miles outside of the City of Winnipeg.
8

9 Q. So, you have no quarrel with the system
10 of horizontal percentage increases, or freight rates,
11 going up by that method?

12 A. No, not if we could get our costs re-
13 duced by 50 per cent too; then, we are willing to go
14 along with it.

15 Q. Everybody seems to be willing to go along
16 with everybody provided their costs are not increased?

17 A. Quite right, sir.

18 Q. What part does trucking play in the
19 sugar beet growing industry in the province?

20 A. It plays a little part in the trucking
21 of beets to the factory, but those figures are not
22 included here; that is, there is no trucking from
23 farms, I think. On Appendix "A" you will see I men-
24 tion that this does not include growers trucking their
25 own beets for an average raw ton and freight bill for
26 the year.

27 Q. All these figures in Appendix "A" relate
28 to rail?

29 A. Yes.

30 Q. There is no truck movement in there at
all?



1 A. Not that I know of, sir.

2 Q. Well, you would know?

3 A. I would know. I might say, there may
4 be a little on the transportation of sugar out from the
5 factory, but there again, being a growers' association,
6 as I say, on the other side of the fence, we don't
7 know that.

8 Q. I presume this agreed charge on sugar
9 coming in from Ontario was negotiated to hold the
10 traffic for the railways against truck competition --
11 or, do you know anything of the background of that
12 agreed charge?

13 A. I understand that the refiners in the
14 East put up the argument to the railways that this
15 was a deficit area for sugar; in other words, we could
16 not supply our market for sugar, which is entirely
17 wrong.

18
19 CROSS-EXAMINATION BY MR. BRAZIER:

20 Q. I notice in the statement which is
21 attached, Appendix "A", you have Manitoba pulp, and it
22 shows the transportation cost of \$232,000: that is out
23 of the refinery, is it?

24 A. Yes, sir. I may point out there, it
25 is the freight that prohibits the grower from re-
26 ceiving practically nothing on pulp from the factory.

27 Q. Where is that shipped to?

28 A. I understand, sir, pulp and molasses
29 are shipped -- well, the molasses, I do know, goes
30 across the border.



1 Q. To the United States?

2 A. Yes, sir.

3 Q. Do you know where the pulp goes?

4 A. Most of the pulp goes the same way too,
5 sir.

6 Q. Does it go down to Minneapolis, or
7 some place like that?

8 A. Minneapolis and further east.

9 Q. And it goes on the American railways
10 most of the way?

11 A. So I understand.

12
13 CROSS-EXAMINATION BY MR. HUME:

14 Q. Mr. Deeley, in answer to a question by
15 Mr. Cooper with respect to this agreed charge, you
16 point out in paragraph 6 that the normal rate is \$2.32
17 and the agreed charge rate is \$1.13: was sugar
18 entering from Ontario points into Manitoba by truck
19 before the railways put in the agreed charge?

20 A. By truck?

21 Q. Yes.

22 A. I understand there was the odd truckload
23 came up, but, as I said before, I am not the marketer
24 so I am only going by hearsay. I understand there
25 was the odd truckload coming up.

26 Q. So the truck movement from Ontario into
27 Manitoba, so far as you are aware, was a very minor
28 thing?

29 A. Yes.
30



1 Q. And if the agreed charge was put in
2 for competitive reasons, they were other than truck
3 competition?

4 A. I would understand that.

5
6 CROSS-EXAMINATION BY MR. SINCLAIR:

7 Q. Mr. Deeley, you knew that when the roll
8 back provided under the legislation that came into
9 effect last August was put in, it was applied as a
10 percentage roll back because the rates had been in-
11 creased percentagewise, so that the relative positions
12 of the short and long haul shippers were held in
13 balance; you knew that?

14 A. I understand now, yes.

15 Q. And the bridge subsidy, the only other
16 subsidy I think you might have had in mind when you said,
17 "We now find ourselves in an extremely ludicrous
18 position of indirectly subsidizing our competition to
19 the possible extent of losing our market, by the granting
20 of special freight rates to that competition" -- the
21 only subsidy that you would have in mind there would
22 be the bridge subsidy, and that would be on traffic
23 moving over the bridge, and that does not apply, did
24 you know, to agreed charge traffic?

25 A. Well, Mr. Sinclair, I don't know what
26 applies to agreed charge traffic ---

27 Q. Does not apply.

28 A. Or does not apply to it; I do know that
29 as far as we are concerned, in my interpretation and
30 my presentation here, that it is this, that if the



1
2 railways are to receive subsidies for the purpose of
3 continuing shipping east to west or west to east long-
4 haul, and they are also in the position to decrease
5 the freight rate on one specific commodity that I am
6 interested in, by more than 50 per cent of the original
7 freight rate, my thought was that we would be paying
8 subsidies to the railways who, in turn, would be
9 giving cheap freight rates to an eastern refiner to
10 ship his product up here at far less cost.

11 Q. You understand that the principle of
12 agreed charge is that it can only be put in to meet
13 existing or potential competition, and the railways
14 have to prove that competition and matters of that kind,
15 and so it is either the railways getting the traffic
16 or letting the competition move it, so, ^{as} far as the
17 growers are concerned, whether the railways got the
18 traffic or someone else, their competitive position
19 would not be changed one iota?

20 A. If that is true, then, for a good many
21 years some trucker hauling sugar into Manitoba has
22 been losing a terrific amount of traffic, because it
23 is only in the past year -- less than that, I would
24 say -- that since this agreed charge came in that we
25 have had any competition whatsoever in the matter of
26 rebates and cancelled contracts of sugar shipped in,
27 and I know one instance where it was shipped at \$1.54
28 from Saint John, New Brunswick, to Regina, on
29 sugar alone. If that is the case, then there is
30 one particular trucking outfit I have in mind which



1 has lost a lot of revenue over the past years by not
2 bringing in more and more sugar.

3 Q. That, apparently, was why the railways
4 had to take action, because the growth of the movement
5 in here by competition was gaining and they were losing
6 traffic, and to protect themselves they went after it:
7 would you not agree that that is what happened?
8

9 A. No, I would not, because if that were
10 the case we would have seen Ontario beet sugar into
11 Manitoba along with cane sugar long before now.

12 Q. You have Alberta beet sugar in Manitoba
13 right now, and have had for years?

14 A. And the freight rate is the same, and
15 it has not been cut by 50 per cent.

16 Q. But it is also under an agreed charge,
17 did you know that?

18 A. Yes.

19 Q. And it was also put in to meet com-
20 petition?

21 A. From the east.

22 Q. To meet competition -- no; from Alberta
23 to Manitoba points?

24 A. When was that put in?

25 Q. When was that rate put in? I can't
26 give you the date.

27 A. In years?

28 Q. No, I haven't got the date, but we will
29 be glad to send it to you.

30 A. No, don't bother. I was trying to



1 tie it in with the so-called competition.

2 THE CHAIRMAN: You will take his word?

3 THE WITNESS: I will take his word for it.

4 I might mention here that a good 75 to 80 per cent of
5 our locally refined sugar is sold right in the Province
6 of Manitoba. We are not in competition with anyone,
7 practically, anywhere. It is the other fellows who
8 are trying to get in here, and they are doing every-
9 thing under the sun to get in.

10 MR. SINCLAIR: Q. You do negotiate
11 annually with the railways concerning the charges on
12 the movement of beet into the refineries, do you not?

13 A. We did this year, and we did three
14 years ago.

15 Q. Well, what I am saying ---

16 A. Otherwise, it stays that way.

17 Q. It stays until somebody brings---

18 A. Until the rate is changed and then
19 we discuss the matter with them.

20 Q. You are not complaining about that?

21 A. No, sir.

22 MR. SINCLAIR: Mr. Chairman, in the time
23 I have had, that is all I can do to be of assistance
24 to the Commission.

25 CROSS-EXAMINATION BY MR. McDONALD:

26 Q. In paragraph 6, you say there in
27 the third line:

28 "This charge is approximately 50 per
29 cent of the normal rate of \$2.32 before
30



1 the 17% increase was applied."

2 I am informed that \$2.32 is the fifth class rate: do
3 you know anything about that?

4 A. All I know is that I have figures here
5 quoted me by the various railway companies over the past
6 two years, and the last one I had was \$2.32 on sugar.

7 Q. Well, that is all right; I don't think
8 we need to take time on that. That is the fifth
9 class rate, and that was the rate, but I am informed
10 further ---

11 A. That was the rate?

12 Q. Yes. I am informed further we did not
13 move a pound of sugar under that rate; it was purely a
14 paper rate, and the sugar all came up via boat and truck,
15 and that is the reason we had to put in the agreed charge.

16 A. And yet the rate from Port Arthur to
17 Winnipeg is \$1.14, and also quoted by truck from Port
18 Arthur -- the run out of Winnipeg is \$2.32. Montreal
19 to Winnipeg, there is no quote.

20 Q. That is the railway?

21 A. No, that is the truck.

22 Q. It is the same as the railway?

23 A. Yes, the same as the railway.

24 Q. What is the rate from Port Arthur?

25 A. \$1.14.

26 MR. MAURO: The trucks were quoting the same
27 rate.

28 MR. McDONALD: Q. I just got this statement
29 today, and the information we could get is that we didn't
30



1 move any sugar under the \$2.32 rate. It came in and
2 went through our warehouse -- came in by boat and
3 was carried out by truck, and that is the reason we put
4 in the agreed charges.

5 A. Thank you. I would make one other point
6 clear: frankly, I think it is the freight on bringing
7 in the sugar at \$1.13 more than the actual sugar that
8 is being brought in that is the threat that is
9 destroying the market, in the forcing of rebates and
10 discounts -- some as high as 70 and 80 cents a bag
11 that is making our factory -- it is not our factory,
12 really -- making the sugar refinery here reduce its
13 price in the threat of competition from the east which
14 is having a more decided effect than actually the
15 sugar coming in.

16 THE CHAIRMAN: You are not interested in the
17 refinery at all?

18 THE WITNESS: No, sir; only in what we can
19 get out of it.

20 THE CHAIRMAN: You are just working with
21 them?

22 THE WITNESS: That is right, sir. Mr.
23 Forester, who is with me, suggests I give you a few
24 words on the contract. We buy the seed and fertilizer
25 from the factory, grow the beets, ship them into the
26 factory, and the factory refines the beets into sugar,
27 pulp and molasses and disposes of them. Our contract
28 is a share contract; in other words, we get a 60/40
29 -- we get the 60 per cent of the 100 pounds net return
30



1 on sugar.

2 THE CHAIRMAN: Are there individual contracts?

3 THE WITNESS: No, it is one contract, with
4 each individual having his own contract; but, the con-
5 tract is standard.
6

7 BY MR. MANN:

8 Q. I have two questions: does the beet
9 growing industry in Manitoba get any subsidy at all from
10 anyone?

11 A. You mean the growers?

12 Q. Yes.

13 A. Yes, sir; we get a guaranteed sugar price
14 from the federal government.

15 Q. Is that the same situation that prevailed
16 in regard to the beet growers in Ontario?

17 A. And Alberta, yes, sir. Manitoba
18 initiated that idea some three years ago, but it is not
19 the money we are getting; it is the market we are losing
20 that we are interested in.

21 Q. I understand. The second question arises
22 out of paragraph 14 on page 2 of your submission, and I
23 wonder, because you say that you have suffered from
24 the introduction of this agreed charge on sugar, do you
25 think that agreed charges should not be allowed?

26 A. Well, I don't think they should be allowed.

27 Q. Would you like to see them abolished
28 altogether in Canada?

29 A. Well, in my opinion -- and this is
30 purely personal -- I don't think the matter was ever



Deeley
(Mann)

4562

1
2 thought of by the Association, itself; I think it is
3 working a discrimination against the individual who,
4 like ourselves, has no other recourse than to file a
5 brief with the government and try and get a remedy for
6 the situation.

7 MR.MANN: Thank you very much.

8
9 BY MR. ANSCOMB:

10 Q. I find a little difficulty, after my
11 colleague Mr. Mann has stated that, because there is
12 evidently a conflict of opinion between yourself and
13 the railways. You say the agreed charge is the cause
14 of your grief, if grief there is, or, that you antici-
15 pate some grief. In other words, that you are going
16 to lose some business, and yet the railways say here
17 publicly that they have only reduced the rate to com-
18 pete with water route that is already in effect. Is
19 there or is there not sugar coming into Manitoba from
20 Ontario?

21 A. Very definitely sugar is coming in from
22 Ontario.

23 Q. If there was no agreed charge, would
24 that sugar not come in?

25 A. Well, sir, possibly this would explain
26 it: under the deficiency payment for the agreed price
27 that we have with the government -- 93 per cent of
28 our contract -- and I might mention here too that as
29 the price of sugar goes down so does our 93 per cent;
30 but, as far as that is concerned, the net return is
our worry. The gross return is what the government



1 pays on. In other words, there is that difference
2 between what the sugar is sold at f.o.b. the factory
3 and what it arrives at when we are through with it.
4 So, it has worked out to this extent, that Ontario
5 refiners have been able to send their sugar in here
6 and get a higher gross return but a lower net return,
7 and we have been in the same boat.
8

9 MR. MAURO: I think the point, Commissioner
10 Anscomb, is that this sugar operation is on a basing
11 point system, Montreal-Vancouver, again laid down
12 Montreal-Vancouver, and the production price into the
13 Manitoba market is the cost of transport from Montreal
14 to Manitoba.

15 COMMISSIONER ANSCOMB: I understand that per-
16 fectly, but you have not yet answered the question.

17 Q. If there was no agreed charge, the sugar
18 is coming up by water, anyway. Now, is the agreed
19 charge responsible for hurting the sugar business in
20 Manitoba, or is it the water route?

21 MR. MAURO: I think Mr. Deeley's point was
22 that prior to the agreed charges the sugar was not
23 moving in in the ratio that it is.

24 COMMISSIONER ANSCOMB: Thank you.

25 ---Adjournment.
26
27
28
29
30

Mr. McLaughlin

ROYAL COMMISSION

ON

TRANSPORTATION

HEARINGS

HELD AT

WINNIPEG MAN.

VOLUME No.:

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ROYAL COMMISSION ON TRANSPORTATION

Proceedings of hearings held in
the Legislative Assembly, Winnipeg,
Manitoba, on the 10th day of
February, 1960

COMMISSION

Mr. M. A. MacPherson, Q.C.	Chairman
Mr. H. Anscomb	Member
Mr. A. H. Balch	Member
Mr. R. Gobeil	Member
Mr. H. A. Mann	Member
Mr. A. Platt	Member

COMMISSION COUNSEL

Mr. A. G. Cooper, Q. C.	
Mr. G. S. Cumming	
Mr. H. W. Ellicott	Adviser

Mr. F. W. Anderson	Secretary
Major N. Lafrance	Assistant Secretary



February 10, 1960.

---Upon resuming at 9.30 a.m.

THE CHAIRMAN: I want to say how impressed we have been here in Manitoba with the interest that has been shown in national problems, and I would like to say we have listened with interest to those briefs that have already been given, and we have every intention of hearing every submission that has been made. We realize the time and effort and interest that is shown by various organizations, and we are going to hear them. It doesn't matter how long we have to stay here; our concern is to do something for the good of the country, and I have been in western Canada long enough myself to know particularly in what measure such organizations as the Federation and the Farmers' Union are the farmers' parliament, and they should be heard. We have their considered judgment, and, for better or for worse, we should hear what they have to say, and we are going to.

MR. MAURO: Thank you, Mr. Chairman.

The next submission is that of the Winnipeg Chamber of Commerce, presented by Mr. Evan McCormick.

McCORMICK, Evan called.

MR. McCORMICK: Mr. Chairman and members of the Royal Commission on Transportation, the Winnipeg Chamber of Commerce is an association of business and professional men, grouped together for the common purpose of promoting the commercial, financial, professional educational and social conditions of greater Winnipeg in particular, and Manitoba and Canada in general. It



1
2 was founded in 1873 and incorporated in 1879 as the
3 Winnipeg Board of Trade. Under that name and its present
4 name, it has, over the years, maintained a lively interest
5 in transportation matters and now, with a membership of
6 approximately 1500, this Chamber represents a broad
7 section of the greater Winnipeg community.

8 This Chamber has given careful consideration
9 to the events leading up to the establishment of your
10 Commission to look into the problems relating to
11 railway transportation in Canada, to its terms of
12 reference, and to some of those problems which are of
13 concern to us in Winnipeg.

14 As we review the changes in the freight rate
15 structure which have been imposed as the result of various
16 royal commissions and inquiries since 1946, it becomes
17 obvious that many regions of Canada have considerably
18 improved their positions during that time.

19 For British Columbia, there has been the
20 removal of the mountain differential. For Alberta, sub-
21 stantial benefits have flowed from the introduction of
22 the one and one-third rule. The province of Saskatchewan
23 pressed for a subsidy. While the resultant bridge sub-
24 sidy is of some benefit to Manitoba, the method of
25 application certainly makes it of greater benefit to those
26 provinces west of us.

27 Contrary to the recommendation of the first Tur-
28 geon commission, the maritime provinces have been
29 exempted from equalization by the action of parliament.
30 Also, the reduction in rates under the Maritime Freight
Rates Act has been increased from 20 per cent to 30



1
2 per cent. When strict application of the equalization
3 recommendations was considered probable, action by the
4 province of Quebec obtained a constructive mileage to
5 western Canada based on the Toronto mileage which is an
6 exception to the recommendation of the Turgeon commission
7 and the amendments to the Railway Act as passed by
8 parliament.

9 In the province of Ontario, Windsor and those
10 cities farther from western Canada than Toronto have
11 gained the advantage of a constructive mileage and,
12 at the other end of the scale, such cities as Sudbury
13 have gained the relative advantage of their geographical
14 location.

15 None of the changes in the freight rate struc-
16 ture which have been imposed since the war have been of
17 direct benefit to Manitoba and, by contrast, Manitoba
18 has been placed at a disadvantage by the cancellation
19 of the Basing Arbitrary, the loss of the constructive
20 mileage between Fort William and Winnipeg, and the removal
21 of the hold-downs on the domestic movement of grain.

22 With this record of the past thirteen years
23 before us, we are sure that you will appreciate the
24 genuine concern which was felt by our members, and which
25 was expressed to the Prime Minister at time of the
26 appointment of the commission, when they saw that,
27 counting the Atlantic provinces as one economic unit,
28 every other part of Canada was represented on the Com-
29 mission with exception of Manitoba.

30 At that same time, the Chamber made it clear
to the Prime Minister that this comment was not, in any



1
2 sense, a reflection on the personnel of the Commission,
3 but was based on a very real concern which Winnipeg
4 business men felt as a result of the period which, for
5 Manitoba, had provided an unhappy record and had seen
6 some real disturbance to our traditional trade and
7 market patterns.

8 THE CHAIRMAN: I think, Mr. McCormick
9 you have forgotten that Mr. Sinclair is here.

10 MR. SINCLAIR: Mr. Chairman, Manitoba is
11 like the railways -- they have to look after themselves.

12 MR. McCORMICK: That puts us in good company,
13 Mr. Chairman.

14 It is a pleasure to note that any apprehen-
15 sions have since been removed by the actions and decisions
16 of the Commission thus far and we are confident that the
17 Commission will not permit any pressure for speedy action
18 to lead to precipitate decisions or impede in any way
19 a careful and thorough examination of the various matters
20 brought before the Commission.

21 During the discussions leading up to the estab-
22 lishment of your Commission, this Chamber had its
23 transportation bureau review its transportation policy
24 with a view to bringing it up to date and reviewing it
25 in the light of current events. That policy as approved
26 by the council of the Chamber is attached, as Appendix
27 No. 1, on page 50 of the brief, and I would ask,
28 Mr. Chairman, that this might be submitted as an
29 exhibit.
30



1
2 ---EXHIBIT NO. 97: Appendix 1 to Briefs
3 of Winnipeg Chamber of
4 Commerce.

5 MR. McCORMICK: For the purpose of reference,
6 we attach, too, an outline of the terms of reference
7 of your Commission, as Appendix No. 2.

8 In the light of this Chamber's policy and
9 the terms of reference of your Commission, and in the
10 hope that they may be helpful to the Commission in under-
11 standing some of the problems and points of view of
12 business men in this region, we submit the following
13 comments and suggestions for your consideration.

14 There is nowhere that we can find a clearly
15 defined national transportation policy. The Turgeon
16 Royal Commission on Transportation in its report in 1951
17 devoted its last chapter (chapter XVII - pages 274-280),
18 to the subject. In effect, it lists a wide range of
19 relevant facts and governmental actions and suggests
20 that these are all part of the national transportation
21 policy but there is no analysis to determine an over-all
22 policy. Rather this review suggests that, at various times,
23 there have been a number of policies, based on the national
24 interest or regional development, or expediency, or just
25 the accident of history, which have been related to trans-
26 portation.

27 We have a variety of governmental boards and
28 commissions and many acts dealing with various segments
29 of the transportation industry which are administered by
30 these various bodies. At the present time these regul-
atory bodies are acting independently and, at times, even



1
2 seem to be headed in different directions.

3 The increasing complexity of our national life
4 in general and of transportation in particular, seems
5 to us to indicate the need for a clearly stated trans-
6 portation policy, or if you prefer, a philosophy of
7 transportation, which will serve as a guide to the various
8 bodies regulating transportation throughout Canada and
9 which will be a guide or an indication to carriers and
10 users of transportation in general, of what are considered
11 sound principles operating in the best interests of the
12 general public.

13 This is not to suggest that we want a super
14 "Board of Transport Commissioners" with control of all
15 transportation under one roof. There are arguments against
16 this at the present time, such as the danger of delay
17 because of the volume and variety of the matters
18 to be handled and, in the eyes of some business men, the
19 Board's historic interest in railway problems, which is
20 not surprising nor alarming in its present position but
21 which might make it difficult to be completely free of
22 railway traditions in studying problems of other forms
23 of transportation. It would also be difficult to make
24 justice, not only be done, but be seen to be done, in
25 cases involving conflict between railways and other modes
26 of transportation. This Chamber would prefer to see
27 efforts made to bring about this integration by closer
28 liaison among the various Boards and Commissions.

29 We therefore recommend to the Commission:

30 "That early and serious consideration be given
to the development of a clear and comprehensive



1
2 "national transportation policy and means by
3 which the present multiplicity of controls can
4 be integrated within the framework of such a
5 national policy".

6 Support for the system of free competitive
7 enterprise is the central core of the policies of
8 Chambers of Commerce throughout Canada. In the competitive
9 atmosphere which this envisions, only the efficient sup-
10 pliers of goods and services can prosper. Suppliers who
11 remain inefficient or who continue to produce things
12 no longer wanted will not survive. Through such compet-
13 ition, changes take place and efficiency is increased to
14 the benefit of the consumer.

15 In the earlier days of our country's development,
16 railway companies, in return for receiving what promised
17 to be a profitable monopoly of transportation in a given
18 area or region plus, sometimes, other incentives such
19 as grants of land or money, were forced to yield, in
20 exchange, governmental control of their rates and other
21 matters so that the public might be protected from exploi-
22 tation.

23 There is ample evidence that this monopoly has,
24 in large measure, virtually disappeared, but, in some
25 cases, and at some times, it would appear to us that these
26 regulatory powers have been used by the Board of Trans-
27 port Commissioners more to protect the railways from the
28 full force of competition than to provide the most econ-
29 omic means of transportation to the general public.

30 It has been our practice in Canada to condone,
or actively promote, practices in the field of



1
2 transportation which in almost any other industry would
3 bring speedy review by the Restrictive Trade Practices
4 Commission of the Combines Branch of the Department of
5 Justice.

6 In keeping with its support for competitive
7 enterprise the Chamber makes three basic points which it
8 suggests are worthy of consideration. These are:

9 (a) The Chamber prefers dynamic control by
10 competition to relatively static control by regulation;

11 (b) Control by regulation should be kept to a
12 minimum and should be exercised only when there is a
13 clear need to protect some accurately defined public
14 interest; and

15 (c) Some individual adjustments are inevitably
16 associated with competition and with economic growth and
17 development, but these should not stand in the way of
18 progress and should not be the basis for introducing
19 restrictive legislation or regulation.

20 We will point out in another part of this
21 submission that we believe inequity exists in the water
22 portion of joint through rates by water and rail from
23 eastern Canada to western Canada. The pegging of this
24 water portion of through rate to the rate for the com-
25 petitive rail haul tends to minimize the economic ad-
26 vantage which the St. Lawrence-Great Lakes waterway
27 should provide to us in the heartland of this continent.

28 This Chamber believes that any movement of
29 traffic by two different modes of transportation should
30 bear rates reflecting the rate characteristics of each
mode of transportation in proportion to its contribution



1
2 to the total movement and no form or mode of transport-
3 ation should be so regulated as to deny to the public the
4 benefit of its inherent competitive advantages.

5 We therefore recommend to the Commission:

6 "That any national transportation policy and the
7 regulations therein should be consistent with
8 our free enterprise system and to this extent
9 each mode of transportation should be free to
10 compete for any traffic that is available; it
11 should be permitted to base its prices on its
12 own natural advantages; its rates should be
13 based on its own costs and requirements and
14 not forced to bear any arbitrary relationship
15 to other modes of transportation."

16 The first of the terms of reference listed is
17 as follows:

18 "Inequities in the freight rate structure, their
19 incidence upon the various regions of Canada,
20 and the legislative and other changes that can
21 and should be made, in furtherance of national
22 economic policy, to remove or alleviate such
23 inequities."

24 The first inequity which comes to mind, and on
25 which this Chamber has made frequent and sustained
26 representations is that of the water portion of joint
27 through rates from eastern Canada.

28 The St. Lawrence Seaway was undertaken and
29 financed by the people of Canada in the expectation
30 that, while there would be some substantial regional
advantages, basically, benefits would accrue to the whole



1
2 economy of the country. Try as we may, we have been un-
3 able to find any way in which this benefit can be
4 passed on, or, in fact, any basic reason for the construc-
5 tion of the Seaway itself, other than to lower the cost
6 of transportation between the upper lake and lower river
7 ports.

8 Over the years, this Chamber has watched with
9 grave concern the gradual elimination of the competition
10 provided by the low rates of water-borne package freight-
11 ters on the Great Lakes-St. Lawrence system.

12 From the original position as independent
13 operators whose low rates forced reductions in all-rail
14 rates, there has been a gradual transition to their
15 present status in which, so far as rates are concerned,
16 package freighters have become mere appendages to the
17 railway system.

18 The present joint through rates over this system
19 are published for a through freight movement, partly by
20 rail and partly by water. However, instead of consider-
21 ing the characteristics of the water portion of the haul,
22 the "all rail" rate is determined and then a certain
23 arbitrary number of cents are deducted if part of the
24 movement is by water. This does not follow the policy
25 suggested in the preceding section 'B', paragraph 27.

26 Because of the present method of rate construc-
27 tion, the three factors that determine the water portion
28 of such joint through rates are:

29 I. the rail mileage from Toronto to the Lake-
30 head;

II. The ton-mile cost of moving freight by



1
2 rail; and

3 III. the financial needs and requirements of the
4 Canadian Pacific Railway (since it is the "yardstick"
5 railway).

6 From the rate so determined, an arbitrary
7 "differential" of a fixed number of cents is deducted to
8 determine the total lake and rail rate.

9 Not one of the three factors listed is related
10 in any way whatever to the actual route, time or cost
11 involved in moving the goods by water between its point
12 of origin in eastern Canada and the Lakehead.

13 We therefore recommend to the Commission:

14 "That each joint through rate should reflect
15 the rate characteristics of each mode of trans-
16 portation employed, in proportion to its
17 share of the total movement and no mode of
18 transportation should be so regulated as to
19 deny to the general public the benefit of its
20 inherent competitive advantages."

21 THE CHAIRMAN: Your views in this regard were
22 presented more than once, I think, to the Board of
23 Transport Commissioners?

24 THE WITNESS: These have been presented to
25 the Board, sir. The Board is bound by legislation, and
26 in applying to it we suggest that the whole picture be
27 considered by the Board as an administrative body. We
28 suggested a look should be taken at the legislation.

29 THE CHAIRMAN: Your idea is there should be
30 some recommendation by this Commission in view of the
judgment the Board had?



1
2 THE WITNESS: That's right, sir.

3 We believe that this policy should apply, not
4 only on shipments partly by water and partly by rail
5 but suggest that, with the increasing complexity of
6 transportation, we might well be looking forward to
7 developments in integrated water and truck or rail and
8 truck shipments as well as shipments involving one of
9 these modes plus air transportation. This would involve
10 the application to these movements of a through bill of
11 lading such as now covers the movement of export goods
12 partly by rail and partly by ocean steamship.

13 Related to this matter of joint through rates
14 for lake and rail shipment is the recommendation of this
15 Chamber that such rates should be constructed only over
16 the port of trans-shipment.

17 At the present time, because of the blanketing
18 of rail rates from eastern Canada to Fort William and
19 Armstrong and the shorter rail mileage via Armstrong
20 to certain western Canadian points as compared to the
21 mileage via Fort William to the same points, it is possible
22 for joint through rates to be constructed over Armstrong
23 which really distort what should be the proper rate rel-
24 ationship. For example, if a shipper in eastern Canada
25 makes identical shipments via water and rail, one
26 destined to Calgary and one destined to Edmonton, both
27 shipments would receive the same water haul to Fort
28 William. Beyond Fort William, both shipments would
29 receive virtually the same rail service measured in terms
30 of miles yet, on receipt at destination, the shipment
destined to Edmonton would receive a lower rate than that



destined to Calgary.

<u>ACTUAL MILEAGE</u>	<u>Calgary</u>	<u>Edmonton</u>
1. Water miles from Toronto to Fort William (C.S.L. Tariff 214A)	904 miles	904 miles
2. Rail miles beyond Fort William (CP & CN Tariffs W-100)	<u>1,242 miles</u>	<u>1,228 miles</u>
3. Total miles travelled	2,146 miles	2,132 miles

(On this basis, both fall in the same mileage block (2,126-50) and should be assessed the same rate. However, this is not so. Here is an illustration of the difference in rates.)

4. Lake & Rail rates (class 45) (C.S.L. Tariff 100p)	404 cents	397 cents
--	-----------	-----------

The reason being that the rate is not based on the mileage travelled but on the "all rail" mileage as follows:

5. RATE MILEAGE:	2,054 miles	2,001 miles
So that the Calgary rate (mileage block 2051-3000) is higher than the Edmonton rate (mileage block 2001-2050)		

The only comment I would make, the difference shows up in items 3 and 5. In item 3 is given the actual mileage travelled by the goods. Any item where we show road mileage, such as the rail rate via Armstrong, which indicates in the case of Calgary, it is 92 miles less than the actual mileage travelled; in the case of Edmonton, it is 31 miles less than the road travelled -- this just means a rate block, and the difference in the rate is the difference in one rate block.



1
2 We agree that it is logical, in an "all rail"
3 movement, to base rates on a combination of the shortest
4 mileages, because it is possible physically to move the
5 goods over such lines. On the other hand, on a combined
6 water and rail movement, we submit that the only logical
7 way to construct the rate is to base it over the port of
8 trans-shipment rather than over a point through which it
9 could not physically move or else could do so only by
10 travelling -- and being charged for -- many more miles
of rail haul.

11 We therefore respectfully suggest to the
12 Commission:

13 "That in the case of water and rail joint
14 through rates, rate construction should be
15 limited to routes over the port of trans-
16 shipment."

17 Interline Freight Movements: If the railways
18 can work out with the water carriers joint through rates
19 for a movement which involves the physical handling of the
20 goods from one mode of transport to the other and if,
21 as we believe, there is validity in our suggestion for
22 further extension of joint through rates to other modes
23 of transportation, then it seems to us that there is
24 even more reason for working out a system of joint through
25 rates for shipments that start on one railway and terminate
26 on the other, where there is no physical handling of the
27 goods, with rates that are based on the through mileage.
28 The railways have, in recent years moved to meet this
29 situation in eastern Canada by the publication of Tariff
30 C.F.A. 6, which authorizes rates between points on



1
2 different railways based on through mileages.

3 If "equalization" implies the necessity for
4 equal treatment, the absence of a similar tariff covering
5 points in western Canada would appear to be very clear
6 evidence of discrimination against this region.

7 We therefore recommend to the Commission:

8 "That the principle of tariff C.F.A. 6 which
9 now applies only within eastern Canada be
10 extended to cover the whole of Canada and we
11 respectfully suggest that this might be done by
12 a comprehensive rule rather than by having to
13 work out a complete tariff covering all points."

14 Rates across the international boundary: If
15 joint through rates are operable via water and rail
16 where a physical transfer of lading is essential, then it
17 seems to us that rates across the border with the United
18 States, where no physical transfer of lading is involved,
19 should long since have been put on a basis which would make
20 joint through rates the rule rather than the exception.

21 I think I should make it clear that there
22 we are talking about the joint rate bases on the through
23 mileage.

24 Between points in the U. S. A. and points in
25 eastern Canada, there are many joint through rates. There
26 are comparatively few such rates into western Canada and
27 during the "equalization" case before the Board of
28 Transport Commissioners it was indicated that this breaking
29 of rates over the border in western Canada had served as
30 a kind of invisible tariff which had held out American



1
2 goods and, by favouring Canadian suppliers had guaranteed
3 the railways the long haul from eastern Canada rather than
4 the relatively short haul from the border. Public senti-
5 ment in this area would, we suggest, be that tariffs against
6 imports, at the level set by the federal government
7 should not be augmented west of the Great Lakes in the in-
8 terests of encouraging long-haul traffic for the rail-
ways.

9 We therefore respectfully suggest to the Com-
10 mission:

11 "That it should investigate the present
12 practice of breaking many rates at the border
13 on shipments from U. S. points into western
14 Canada and the advisability, in the interest
15 of the consuming public of minimizing or, if
16 possible, eliminating this practice by a wide-
17 spread use of joint through rates over these
routes."

18 Interswitching in Urban Areas: Switching
19 rules have remained basically the same since 1918 and
20 for some time now have been inadequate to meet the
21 needs of today's industry. Switching charges, too, are in
22 many cases the kind of "nuisance" charge which annoys
and causes illwill far beyond its cost.

23 Even in the years since World War II, there
24 has been a tremendous increase of urban sprawl. New
25 concepts of industrial engineering and tremendous
26 strides in extending the speed and scope of urban
27 passenger transportation have meant that industries now
28 seek the perimeter of metropolitan areas rather than
29
30



1
2 their centre.

3 There are shippers in many parts of Canada
4 who are located at points served by only one railway.
5 Occasionally, they must ship goods to points served by
6 another railway. In this case, in using the only route
7 open to him, a shipper is assessed a switching charge
8 which is in the nature of a penalty against him, when we
9 consider another shipper served by only ~~one~~ railway who
10 elects to forward his shipment to a competitive point by
11 a railway other than the one serving his siding. In this
12 case, he has an option as to routes, but even though
13 he has selected the route which, because of the inter-
14 change, will increase the cost of railway operation,
15 because the destination is a competitive point, he is
16 not assessed any switching charge.

17 The rules make no distinction between large and
18 small centres and in most of our larger cities today it
19 is extremely difficult for industries to find sites
20 located within the switching limits. The four-mile
21 limit for free switching has remain unchanged for
22 more than forty years and it is measured along sometime
23 circuitous track from a point arbitrarily established by
24 the railways, usually having little or no regard for
25 the established centres of industrial development. (In
26 Winnipeg, the Canadian National Railway depot is
27 more than four miles from Paddington, its official
28 interchange with the C. P. R.)

29 The establishment of further interchanges
30 usually meets only part of the problem and simply defers
the day when careful consideration must be given to



1
2 the whole problem.

3 THE CHAIRMAN: The problem of St. James we
4 heard about yesterday.

5 THE WITNESS: That is part of this.

6 While we have no specific remedy to suggest,
7 we have received a number of suggestions, none of which
8 seem to provide the whole answer and, in an effort to be
9 helpful to the Commission we pass these along for con-
10 sideration without necessarily favouring any and certainly
11 without indicating any order of priority for them.

12 I. Increase the number of interchanges in
13 any urban area;

14 II. Extend the switching limit, say to six
15 miles, or else set it on some sliding scale related to
16 population or the developed acreage in a city;

17 III. Consider establishing the switching area
18 as a circle on the basis of an airline mileage from the
19 centre of the city or some designated point; or

20 IV. Establish a switching tariff with the
21 proviso that the line haul carrier would absorb the
22 switching charge up to an amount equal to some specified
23 percentage of the line haul charges.

24 We therefore recommend to the Commission:

25 "That some careful review should be made of
26 present switching rules and charges and an effort
27 made to work out some method of handling and
28 paying for interswitching in urban areas which
29 will meet the conditions and needs of present-
30 day industry."

Adverse effect of some competitive rates on



1
2 market competition: It is a generally accepted principle
3 of rate making that the carrier should be free to meet, or
4 not meet, competition where it exists. However, the
5 general practice has been to initiate competitive rates
6 without any consideration of the effect on shippers at
7 other points which are competing in the competitive
8 market.

9 For example, consider the case of a Winnipeg
10 firm competing in Vancouver against a Montreal firm.
11 Both have been established for some time and each enjoys
12 a fair share of the market. Then, some competitive
13 factor -- say lower water rates via the Panama Canal,
14 produces competition for the long-haul traffic from
15 Montreal. A competitive rate from Montreal is the
16 probable result. The rate from Winnipeg to Vancouver
17 will probably remain unchanged, thus, in many cases,
18 effectively cutting the Winnipeg shipper out of the
19 Vancouver market.

20 It might well be that, in putting the competitive
21 rate into effect, the carrier has been able to retain or
22 recapture only a portion of its long-haul business at a
23 much lower net revenue. On the other hand, offering the
24 same rate advantage to the intermediate shipper might
25 have kept him competitive, retained a larger share of
26 the market, or, at worst, carried as much traffic the
27 shorter distance from the intermediate point at a lesser
28 cost, the same rate, and a higher net return.

29 We do not believe that the railways should be
30 allowed, by rate adjustment, to determine who, among
several competitors, shall be in a position to continue



1
2 competing in any given market. Nor, should it be
3 possible, through rate adjustments, to exert any undue
4 influence in the location of industries.

5 We therefore recommend to the Commission:

6 "That when competitive rates are initiated
7 to assist shippers to enter or remain competi-
8 tive in a market area, rates from other competi-
9 ing points should be maintained at a level
10 which preserves the geographic advantage of
11 other shippers, particularly when it can be
12 shown that prior to the imposition of the
13 competitive rate, they had enjoyed a share of
14 the market concerned."

15 Exemption from equalization of the maritime
16 freight rates: This Chamber of Commerce has long had
17 both understanding and sympathy for the economic prob-
18 lems faced by our fellow-Canadians in the Atlantic
19 provinces.

20 It was here in Winnipeg in November of 1925,
21 with this Chamber as host, that the first meeting was
22 held to organize a Dominion Board of Trade or, as the
23 organization was eventually formally named, The
24 Canadian Chamber of Commerce. Running through the
25 whole of the three-day session which, incidentally,
26 was held in this room, was the recurring theme of the
27 economic problems of the maritime provinces. When it
28 came time for resolutions, the first one was the
29 following:

30 "That this Conference urge the Dominion
Government to immediately take such steps as



1
2 "may be necessary and justifiable by the cir-
3 cumstances as will remedy the economic disabil-
4 ities which now prevent the maritime provin-
5 ces from realizing those advantages which under
6 Confederation and the subsequent development
7 of the Dominion of Canada should have
8 accrued to them." (Carried unanimously)

9 Partly as a result of the pressure engendered
10 by this meeting and by formal and forceful represen-
11 tations, particularly by the province of Nova Scotia,
12 the Duncan Royal Commission was set up in April, 1926.
13 It reported in September of that same year pointing out
14 that, in fact, the maritime provinces had not prospered
15 and developed as fully as other portions of Canada and
16 made several recommendations which they thought should
17 be undertaken by the government of Canada so that the
18 "maritime provinces by reason of their tradition and
19 the virility of their people, can readily become active
20 participants in the future welfare of the Dominion
21 if they are relieved of the disabilities under which
22 they have been suffering and are enabled to approach
23 their problems with renewed vigour."

24 THE CHAIRMAN: We have been in the maritimes,
25 and the same resolution is applicable to them.

26 THE WITNESS: They noted that rates on the
27 Intercolonial Railway had been increased by an estimated
28 cumulative amount of 92 per cent since 1912, whereas the
29 estimated average increase of rates for the rest of
30 Canada had been 55 per cent.

If I may interpolate an explanation there.



1
2 The rates charged on the Intercolonial had been
3 considerably lower, and then increased to 92 per cent
4 as compared to 55 per cent in the eastern region,
5 and that was really the first effort to equalize the
6 rates in the maritimes with those in eastern Canada.
7 This was the first effort of equalization, and it
8 was amended by the Duncan Commission, so that while the
9 railways retained equalized revenues from the two
10 services, the shippers in the select maritime territory
11 have their previous advantage restored to them.

12 They therefore recommend an immediate
13 reduction of 20 per cent on all rates charged on traffic
14 which both originates and terminates in the Atlantic
15 division of the C. N. R., as well as on the Atlantic
16 division portion of all traffic originating in that
17 division (exclusive of import traffic by sea) and
18 destined to points outside the division. It was
19 determined that the limits should be drawn at the divis-
20 ional points of Diamond Junction and Levis. It was sug-
21 gested that the cost of this reduction which was
22 concerned mainly with lines of the C. N. R. and any
23 necessary adjustment to provide equitable consideration
24 to the C. P. R. should be borne by the Dominion govern-
25 ment.

26 The Duncan Royal Commission then said:

27 "We venture to express some suggestions on a
28 more general aspect of these maritime claims when
29 we discuss the functions of the railway com-
30 mission. Here it is enough to indicate the
principle upon which we are proceeding, namely,



1
2 "that all arguments in connection with
3 maritime rates, insofar as they rest upon nat-
4 ional, imperial and strategic conditions,
5 attaching to the Intercolonial Railway, can
6 be broadly assessed on the basis of the reduc-
7 tion which we recommend."

8 We think that this broad measuring once
9 and for all, of these considerations has
10 such decided advantages that it should not
11 be qualified or delayed by minor criticisms.
12 It separates completely considerations of
13 national public policy from considerations

14 of railway policy proper. It restores
15 the original purposes of the Intercolonial
16 Railway as interpreted by the freight
17 structure prior to 1912, without withdrawing it
18 from the consolidated system of national
19 railways, a step which we think would be
20 retrograde, and, in the end, very unsatis-
21 factory. The cost of reduction is a matter
22 that can be measured definitely and conclus-
23 ively for each financial period without any
24 complication or confusion to the financial
25 operations of the consolidated system,
26 a feature that, in our view, is almost as
27 important as the avoidance of complication
28 in the practical operations of the system."

29 Shortly thereafter the Maritime Freight Rates
30 Act which spelled this out in more detail, defined the



1
2 "select territory" in which it applied, and provided for
3 the extension of the Act to other railways operating
4 in the defined area, was passed.

5 The Act also makes it abundantly clear in
6 sections 7 and 8, that such rates as are established
7 are deemed to be statutory rates and prescribe advan-
8 tages in rates which persons and industries in the
9 "select territory" hold over those in other areas.

10 The Turgeon Royal Commission on Transportation
11 which was appointed in 1948 and reported in 1951, after
12 considering several suggestions that the 20 per cent
13 reduction should be increased to 30 per cent or
14 that the reduction apply to a greater share of the through
15 rate, dismissed all these suggestions by
16 saying:

17 "Nothing put before the Commission warrants a
18 recommendation of such extensions of the Act.
19 The proposals overlook the basic intent and
20 purpose of the Act.

21 As has already been pointed out, the
22 reasons for the enactment of the statute are
23 expressed in its preamble. The object of the
24 calculation which led to the adoption of the
25 20 per cent reduction in rates was to restore
26 the advantages of the rates, lower than
27 those in force in the other parts of Canada,
28 which the maritimes had enjoyed prior to 1912.
29 It is to be observed that in the report of the
30 Duncan Commission the following statement
was made: 'We think that this broad measuring,



1
2 once and for all, of these considerations
3 has such advantages that it should not be
4 qualified or delayed by minor criticisms.'
5 A change in the 20 per cent reduction would
6 be an unwise departure from the theory
7 employed by the Duncan Commission in arriving
8 at the remedy which it proposed.
9 The extension of the reduction beyond the limits
10 of the eastern lines would likewise be a dis-
11 regard of the whole basis on which the Act
12 was recommended and passed."

13 In its recommendations on equalization, the
14 Turgeon Commission (at page 126 of its report) in every
15 case in which it refers to equalized or uniform rates,
16 uses the phrase "throughout Canada". Making it
17 obvious that the Commission clearly intended that
18 equalization should apply to the maritimes.

19 When equalization of rates was introduced
20 in 1955, rates between Manitoba and central Canada
21 were increased. In spite of the recommendation of the
22 Turgeon Commission, a special exception was written
23 into the equalization amendment, exempting maritime rates
24 from its application. Then, in 1957, in his budget
25 speech, the Honourable Walter Harris, the Minister of
26 Finance, announced an increase of the subsidy payable
27 under the Maritime Freight Rates Act from 20 per cent
28 to 30 per cent on shipments outbound from the maritimes.
29 This was the second action which was directly contrary
30 to the recommendation of the Turgeon Commission.

The Winnipeg Chamber of Commerce protested



1
2 to the minister on two grounds. First, it held that
3 amending an Act by the device of including an amount
4 therefor in the budget was wrong in principle and that
5 any change in the subsidy should have been introduced
6 as an amendment to the Maritimes Freight Rates Act so
7 that it could be properly scrutinized by the railway
8 committee of the House of Commons and in the House
9 itself.

10 Secondly, the Chamber held that this sudden
11 change was opposed to the recommendation of the Turgeon
12 Commission and pointed out the adverse effect that such
13 reductions in rates from the maritimes to central Canada
14 had on Winnipeg industries competing in that market.

15 As just one example of the difference in
16 treatment, consider the class 100 rates to Toronto from
17 two points roughly equidistant from that market.

		<u>Present Rate</u>
18	Winnipeg to Toronto 1,208 miles	\$ 5.89
19	Sydney, N.S., to Toronto 1,258 miles	\$ 2.88

20 Naturally, the further spread in these
21 rates is of concern to several shippers in Manitoba.
22 Perhaps this is part of the price which Manitoba must
23 pay for Confederation but if that be so, we should want
24 to be assured of it by some impartial body such as your
25 Commission after having had a close look at these
26 maritime freight rates and having considered whether
27 the advantage conferred is greater than that intended
28 by the Duncan Commission and the Turgeon Commission,
29 both of which had studied the question exhaustively.
30



Obligations and Limitations: The second term of reference for the Commission was: "The obligations and limitations imposed upon railways by law for reasons of public policy, and what can and should be done to ensure a more equitable distribution of any burden which may be found to result therefrom."

Crow's Nest Pass Rates of Grain and Flour:

Paragraph 5 of this Chamber's transportation policy reads, in part, as follows: "The Chamber believes that all freight rates should be compensatory."

It is the belief of this Chamber that in arriving at any conclusion in respect of rates, all compensatory factors must be considered. We feel that in order for your Commission to arrive at a sound conclusion in respect of the Crow's Nest Pass rates on grain and flour, the grants received by the C. P. R. as compensation for the fixing of these rates must necessarily be considered in conjunction with the railway's income from such traffic and its expense in relation thereto.

We submit, therefore, that in order to determine whether or not the present rates compensate the railways, regard must be had to the compensation which the C. P. R. receives from the assets derived from the grant which was made in the Crow's Nest Pass agreement. Considered as income in respect of the moving of export grain and flour must be the income derived by that railway from its oil and mining subsidiary operations and other operations and assets which are derived from the grant made in the original agreement.



We do not have figures on which to comment in this regard and in the balance of this submission are dealing only with figures which have been produced from the railways in regard to their railway revenue and expense. That was long before the Crow's Nest agreement.

We have tried in the brief time available to assimilate the masses of evidence which have been produced for this particular aspect of the Commission's work. Without trying to attack the details which have been given we have analyzed some of the figures and they provide us with interesting and somewhat disturbing comparisons.

Western Grain Car Loadings Related to Net Earnings: Before pointing out these comparisons, however, we should like to present one of our own. It is a review of the annual reports of the Canadian National Railways and the Canadian Pacific Railway compared with a table showing grain cars loaded in western Canada which has been obtained from the Dominion Bureau of Statistics memoranda re car loadings:

COMPARISON OF WESTERN GRAIN CAR LOADINGS

TO THE RAILWAY "NET"

(for period 1947 to 1958 inclusive)

Year	C.N.R. "Net Operating Revenue (\$)"	C.P.R. "Net Earnings" (\$)	Total Net (\$)	Western Grain Car Loadings (Cars)
1947	41,073,000	22,892,189	63,965,189	289,143 b
1948	26,530,000	18,419,166	44,949,166	257,889 b
1949	22,222,000	20,613,969	42,835,969	298,898 b
1950	59,834,000	38,020,357	97,854,357	240,060 b
1951	44,684,000	26,812,832	71,496,832	347,011 a
1952	40,366,000	28,930,780	69,296,780	431,893 a
1953	37,573,000	28,884,572	66,457,572	417,996 a
1954	14,172,000	27,032,926	41,204,926	292,075 b
1955	54,076,000	37,326,718	91,402,718	258,588 b



Year	C.N.R. "Net Oper- ating Rev- enue (\$)	C.P.R. "Net Earnings" (\$)	Total Net (\$)	Western Grain Car Loadings (Cars)
1956	71,497,000	41,335,827	112,832,827	356,344 a
1957	18,610,000	38,246,382	56,856,382	295,622 b
1958	4,926,000	36,491,847	41,417,847	207,090 b

In the above we have indicated by the letter "a" those years in which more than 300,000 cars of grain were loaded in western Canada, and by the letter "b" those years in which less than 300,000 cars of grain were loaded in western Canada. We now recap them as shown on the next page:

More than 300,000 cars of grain (a)

Year	C.N.R. "Net Operating Revenue (\$)	C. P. R. "Net Earnings" (\$)	Total "Net" (\$)
1951	44,684,000	26,812,832	71,496,832
1952	40,366,000	28,930,780	68,296,780
1953	37,573,000	28,884,572	66,457,572
1956	71,497,000	41,335,827	112,832,827
Total	194,120,000	125,964,011	320,084,011

Less than 300,000 cars of grain (b)

Year	C.N.R. "Net Operating Revenue (\$)	C. P. R. "Net Earnings" (\$)	Total "Net" (\$)
1947	41,073,000	22,892,189	63,965,189
1948	26,530,000	18,419,166	44,949,166
1949	22,222,000	20,613,969	42,835,969
1950	59,834,000	38,020,357	97,854,357
1954	14,172,000	27,032,926	41,204,926
1955	54,076,000	37,326,718	91,402,718
1957	18,610,000	38,246,382	56,856,382
1958	4,926,000	36,491,847	41,417,847
Total	241,443,000	239,043,554	480,486,554

Yearly Average

Total "Net" for (a) \$320,084,011 \$80,021,000

Total "Net" for (b) 480,486,554 60,060,810

In other words, on the average, when western



1
2 grain car loadings were over 300,000 cars a year the
3 average "net" was 33.23 per cent better than when such
4 loadings were under 300,000 cars.

5 Comparison of Crow's Nest Rates with Livestock
6 Rates: The Canadian Pacific Railway and the Canadian
7 National Railways in their submissions show out-of-
8 pocket expenses for hauling grain of .74 cents per
9 ton mile. The 1958 waybill analysis prepared by the
10 Board of Transport Commissioners shows the average load
11 of grain moving under statutory rates as 54.92 tons
12 per car. Multiplying these two figures would indicate
13 an average out-of-pocket cost of 40.64 cents per car
14 mile. With an average haul of 852 miles, again derived
15 from the waybill analysis, further calculation indicates
16 that the railways estimate their out-of-pocket costs on
17 the average car of grain moving on statutory rates of
18 \$346.25. Extending the railways' fully distributed
19 cost of one cent per car mile on the same basis
20 indicates a full distributed cost of \$467.92.

21 Against this we set the figure in the same
22 waybill analysis covering the average movement of all
23 animal and animal products. Here the average haul is
24 862 miles which is near enough to the 852 miles
25 for grain for comparative purposes. The waybill analy-
26 sis shows that the average revenue per car for this
27 movement is \$332.91 per car -- about \$14.00 per car
28 less than the out-of-pocket cost of moving grain.
29 The revenue per car on this movement is less than the out-
30 of-pocket costs on the movement which is being pro-
tested.



Comparison of Car-Mile Revenue and Payments:

There is another over-all figure which disturbs us. The annual report of the Canadian Pacific Railway shows average revenue per car mile of 46.0 cents. From the Canadian National Railways annual report, by dividing "freight revenue" by "loaded freight car miles", an average revenue per car mile of 47.0 cents is obtained. However, the 1958 waybill analysis provided by the Board of Transport Commissioners shows an average payment by shippers of 55 cents per car mile. The only explanation we can suggest for the disparity is that there must be some substantial volume of traffic, not included in the waybill analysis, which moves at rates substantially below the average.

Rates Lower than Crow's Nest Pass Rates: The 1958 waybill analysis contains several movements at rates negotiated by the railways which indicate that the revenue per car is significantly below that provided by the statutory grain rates.

Attached as Appendix No. 3 - which is on page 52 of this submission.

THE CHAIRMAN: Do you want that marked?

THE WITNESS: Yes, I would like that marked.

MR. COOPER: That will be Exhibit No. 98.

---EXHIBIT NO. 98: Appendix No. 3 to the
Submission of the
Winnipeg Chamber of
Commerce.

THE WITNESS: There are two changes in that table which I would like to make. On the first line,



under "Wood and Fuel" and under "Average Revenue per Car at Crow Rates for Same Haul", there should have been entered the figure 148.28, and also in the last column of that line, the average revenue per car mile, at Crow rate should be .53 instead of .46. That is based on the figure which we gave earlier on the average weight per car of 54.92 tons.

Attached as Appendix No. 3 is a partial list of the commodities found in the 1958 waybill analysis giving average length of haul, actual revenue per car and average revenue per car as well as the

average revenue per car at Crow rates. We would suggest to the Commission that the costs of these and any other such movement should receive careful analysis.

Objection to Railways' Proposals: Finally, and most important, we are disturbed by the suggestion of the railways that, if their case is substantiated, the answer would be to increase the present Crow's Nest Pass grain rates by a fixed percentage. We draw to the attention of the Commission the following table:

	<u>Winnipeg</u>	<u>Regina</u>	<u>Calgary</u>
Rates previous to 1922	17 cents	29 cents	36 cents
1922 reduction	17.6%	31%	27.8%
Present Crow rate	14 cents	20 cents	26 cents

It will be noted that, in 1922, points west of Winnipeg received much more substantial reductions in their rates than did Winnipeg.

The statutory rate on grain from Winnipeg is \$2.80 per ton. Extending the C. P. R. cost figure by taking the cost of .74 cents per ton mile multiplied by



420 miles, the distance from Winnipeg to Fort William, gives an out-of-pocket cost of \$3.11 per ton or a loss to the railways of 31 cents per ton on grain moving out of Winnipeg. Using the same method of calculation the loss per ton on grain moving eastward from Regina, 775 miles, and Calgary, 1222 miles, as compared to Winnipeg are as follows:

	<u>Winnipeg</u>	<u>Regina</u>	<u>Calgary</u>
	\$	\$	\$
Loss per ton	.31	1.74	3.99

The cost estimates provided by the railways, if correct, indicate that there is less loss on grain handled out of Winnipeg. To propose a solution which would practically double the present rates would be an unnecessary toll against Manitoba farmers.

The railway study has been based on costs related to various shipping points. If any change is to be made in the rates, surely the new rates should be established on the basis of these demonstrated costs.

We therefore recommend to the Commission:

I. "That, in determining the compensatory nature of the Crow's Nest Pass grain rates, the grants received by the C. P. R. as compensation for the fixing of these rates must necessarily be considered in conjunction with the railway's income from such traffic and its expense in relation thereto: and

II. That, if any changes are to be made in the Crow's Nest Pass rates, the new rates should be based on the criteria laid down by parliament in section 336 of the Railway Act



"and in accordance with the general application of these criteria by the Board of Transport Commissioners for Canada. (See Appendix No. 4).

Passenger Service: A review of the figures on Passenger traffic since 1928 (source DBS railway transport reports) shows a substantial decline in passenger-miles and an even greater decrease in the number of passengers carried. As against an increase over the period for freight services in both tons handled and revenue ton-miles, passenger services show the following:

Originating traffic (duplications eliminated)	Passengers carried (thousands)	Passenger Miles (thousands)
1928	40,593	3,140,861
1938	20,911	1,783,178
1948	38,280	3,477,273
1958	21,376	2,485,861

The lowest number of passengers carried was in 1933, for which the figure is 19,172 thousand. From 1932 to 1936 and in 1938 and 1939, the number of passengers fell below the figure for 1958. The peak was in 1944 when the total reached 60,336 thousand.

Passenger-miles exceeded 1958 in both 1928 and 1929, came close in 1930, then dropped sharply, reaching a low of 1,393,041 thousand in 1933, then climbed upward, exceeding the 1958 figure in 1940 and going on to a 1944 peak of 6,873,188 thousand. From that point the downward trend began, declining sharply to 1947 and more gradually, with some fluctuations, to its present level.



1
2 The present two-way squeeze on passenger
3 traffic between the aeroplane on one hand the the private
4 car on the other is likely to continue. Cost plays a
5 secondary role to service in the passenger field and
6 to the extent that comfort, safety and speed are on their
7 side, the railways are likely to retain a share of
8 inter-city passenger traffic. However, the introduction
9 of new jet planes with startling reductions in long-
10 distance travelling time is imminent and will likely
11 cause further erosion of long haul traffic.

12 Traditionally, passenger services have been,
13 on the whole, losers of money, kept operating by "internal
14 subsidies" from more remunerative services. Particularly
15 is this the case with respect to commuter services where
16 costs are higher because of the low utilization of
17 equipment and the difficulties in adjusting fares.
18 Findings in this regard by the Board of Transport Com-
19 missioners are familiar to most people interested in
20 transportation. We note with interest, efforts in
21 the Chicago area by extensive capital outlays to provide
22 more modern equipment and streamlined services with the
23 expectation that commuter services will be self-sustaining.

24 We believe that the cost of maintaining un-
25 remunerative passenger services needs careful examin-
26 ation and that the present competitive position of the
27 railways makes it no longer possible to charge losses on
28 passenger services against revenue from freight services.

29 Branch Lines: While most railwaymen know,
30 almost by instinct, which is a branch line and which
is a trunk, or main line, it is difficult for them to



1
2 define the difference closely, even to their own
3 satisfaction. For a layman to try would be foolhardy.
4 The terms "main line" and "branch line" are usually
5 used as relative terms and it is in that sense that we
6 use them.

7 With the changing patterns of rural life; the
8 high degree of mechanization and the decline in farm
9 population; the dwindling importance of the village and
10 small town; the spread of a network of good roads
11 providing abundant opportunity for bus and truck services
12 to compete with the railways, and for privately operated
13 cars and trucks to minimize the dependence of the rural
14 population on common carriers for all but the bulkiest
15 commodities, much of the traffic carried on railway
branch lines has long since been lost.

16 Railway applications for the abandonment of
17 branch lines have revealed a high ratio of cost to
18 return in these particular cases. Rarely have the
19 railways sought abandonment before operating costs
20 were roughly something of the order of three times
21 operating revenue. Naturally, there usually is oppos-
22 ition in the areas served and the Board of Transport
Commissioners, in applying the law, has made it difficult
23 to abandon services, once they are instituted.

24 We believe it is not an unwarranted assumption
25 that, if purely economic factors were the determinants
26 - we are not suggesting they should be -- there would
27 be a much more widespread abandonment of branch lines
28 and services. One transportation authority recently
29 referred to them as "bleeder" rather than "feeder"
30



1
2 lines.

3 We suggest that the internal subsidization
4 necessary to support this network of "bleeder" lines out
5 of main line operations is substantial. In our trans-
6 portation policy we have proposed:

7 "That the railways study the abandonment of
8 unremunerative railway branch lines and
9 services, and the substitution of integrated
10 or other truck services."

11 THE CHAIRMAN: We will give you a short rest
12 now.

13 ---Recess.
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1
2 ---Upon resuming.

3 THE CHAIRMAN: Order, please. Very well,
4 Mr. McCormick.

5 MR. MCCORMICK: This Chamber believes that
6 railway efficiency and economy of operation are most evi-
7 dent in the long-haul main line movement of traffic
8 and suggests that the modernization programs of the
9 railways have been most effective in improving their
10 competitive positions in this field.

11 It follows from our statement of policy that
12 we would have no objection to the railways operating
13 complementary truck services in place of branch lines

14 With particular application to western
15 Canada, any program of abandoning branch lines must give
16 careful consideration to the network, or networks of
17 grain elevators used as collection and shipping points
18 for prairie grain.

19 In the early years of this century, one yard-
20 stick used in permitting the construction of branch
21 lines was the theory that a farmer should be able to
22 leave his farm in the morning with a team of horses
23 drawing a load of grain, deliver his load to the
24 elevator and return to his farm in the afternoon.

25 Modern trucks and highways have long since made
26 that yardstick obsolete. The present branch line system
27 itself is obsolescent. Many of the country elevators
28 have reached, or are close to, the optimum limit of
29 their useful life. A gradual program of replacement is
30 in evidence and this Chamber believes that any program
of branch line abandonment must be carefully integrated



1
2 with the program or programs of grain elevator replace-
3 ment. It is for this reason that the Chamber's trans-
4 portation policy suggests:

5 "That a joint study, by the railways and the
6 grain trade, be made of the branch line system
7 in western Canada giving due consideration to
8 the existence of the line elevator system."

9 Controls: It is a matter of observation that
10 over the years since the passage of the Railway Act in
11 1906, there has grown up a code of rules and procedures
12 governing railroads with ramifications which severely
13 limit even the freedom of action normally accorded
14 industrial management.

15 Virtually everything pertaining to the physical
16 characteristics of any new rail line is subject to the
17 approval of the regulatory authorities. Stations,
18 locomotives and rolling stock, maintenance of locomotives
19 and equipment are all subject to detailed regulations,
20 such as the specific fine of \$8.00 for which an engineer
21 is personally liable if he fails to give the prescribed
22 signals on horn and bell when approaching a highway
23 crossing. A locomotive bell must weigh at least 30
24 pounds and the horn on a diesel must maintain a sound
25 level of "not less than 105 decibels on the periphery
26 of a circle 100 feet in radius."

27 There is a code of rules covering detailed
28 operating procedures for train movements which must have
29 the specific approval of the Board of Transport Com-
30 missioners, standard accounting procedures and, of course,
safety and other regulations for the protection of the



1
2 travelling public in addition to all the regulations
3 governing the rates on which traffic moves.

4 Withdrawal from an enterprise that does not
5 succeed and that loses money is the normal course of
6 action and usually is taken for granted as falling
7 within the rights of management. As far as railways
8 are concerned, even when the railways can show that losses
9 on a particular service are inevitable, and that other
10 means of transportation are available, they still may
11 not be granted permission to abandon it.

12 This pattern, where controls are the general
13 rule and freedom is the limited exception, provides a
14 strong contrast to our belief, registered in our earlier
15 comments on transportation policy, that "control by
16 regulation should be kept to a minimum and should be
17 exercised only when there is a clear need to protect
18 some accurately defined public interest."

19 We therefore suggest to the Commission:

20 "That a careful review be made of the multi-
21 plicity of regulations now governing railways
22 in practically all their activities with a
23 view to streamlining them and insofar as
24 possible, permitting railways the normal
25 freedom accorded to industrial management."

26 More Economical and Efficient Transportation:

27 The third specific term of reference for the
28 Commission is: "the possibilities of achieving more
29 economical and efficient railway transportation."

30 We believe that the multiplicity of regulations
and controls by their very nature must hamper efficient



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2 operation. It goes without saying that the kind of
3 review we suggest in the previous section, if carried
4 out successfully should do much to bring more
5 efficiency and more economy to railway management. Time
6 and technology have combined to supply, in large part,
7 the competition for which intervention and detailed reg-
8 ulation were a substitute 50 years ago when the railways
9 had a virtual monopoly in land transportation. The
10 Railway Act and the regulations flowing therefrom are
11 still based on the philosophy of that period and certain-
12 ly there is room for considerable up-dating and stream-
lining.

13 Economies from Modernization: Substantial
14 economies have been made possible by the railways in
15 their programs of dieselization and modernization.
16 These have represented the investment of huge amounts
17 of capital for machinery and equipment which can achieve
18 substantially more productivity with a greatly reduced
19 labour content per unit of production. Capital can be
20 attracted only to industries which offer a guarantee of
21 repayment and an annual return, or else the hope of
22 substantial future reward. The rate of this return is
23 related to the general demand for money and the soundness
24 of the particular venture seeking capital. The amount of
25 capital invested per employee is much more substantial
26 now than a few years ago and shows every sign of increas-
27 ing over the years. To realize the full economies from
28 these vast capital outlays to modernize the railway
29 system, there must be a corresponding increase in
30 productivity.



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2 The general public -- and to a greater extent,
3 businessmen meeting this problem in their day-to-day
4 operations, are far from convinced that the railways
5 have been able to reap all of the economies in increased
6 productivity which should flow from the more efficient
7 operation made possible by these substantial new
8 investments.

9 It is inimical to the public interest that the
10 threat of a strike, or an actual cessation of work can
11 force a railway to agree to working arrangements which
12 its management and a royal commission have clearly said
13 were unnecessary and which assume the nature of "feather-
14 bedding".

15 We have no information that other "feather-
16 bedding" exists to any extent on Canadian railways, but
17 we do hear rumours of its existence, particularly in
18 road service rather than among non-operating employees,
19 and there certainly seems to be a general public accept-
20 ance of the belief that it exists.

21 In the U. S. A. there is a carefully documented
22 case to show that "featherbedding" is rampant and per-
23 meates the whole railway structure.

24 The Association of American Railroads, in its
25 booklet "Facts about Featherbedding" points to three
26 principal classes of outmoded work rules or laws imposed
27 on railroads and estimates that they cost American rail-
28 roads an unnecessary \$500 million each year. They are:

29 1. Those that require railroads to employ
30 more people than they need or can profitably use;

 II. Rules that compel retention and



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2 perpetuation of work and pay standards made obsolete
3 by advancing technology; and

4 III. Those that preempt for the unions the
5 traditional and proper management functions of determining
6 the kind and amount of work to be done and who is to do
7 it, and operational policy necessary to obtain the most
8 efficient use of plant, equipment and manpower.

9 As nearly as we can observe, there are signs
10 of similar outmoded work rules in existence in Canada
11 and there is clear need for inquiry by some impartial
12 body such as this Commission to determine whether, and
13 to what extent, such "featherbedding" exists in Canada.

14 THE CHAIRMAN: You understand, of course,
15 that so far as we are concerned (this Commission), we
16 are leaving collective bargaining out of our consider-
17 ations.

18 THE WITNESS: We understand that the Commission
19 is, sir. This is why we said that it should be done
20 by this or some other Commission. We feel that it
21 still needs doing in the public interest.

22 In view of the inability of one railway,
23 even with the support of the findings of a royal com-
24 mission to implement the full economies which should have
25 flowed from one particular aspect of its modernization
26 program because of the selfish and irresponsible action
27 of one union, it seems to us that only the strongest
28 encouragement from the government of Canada can possibly
29 enable the railways to realize to the full the benefits
30 of modernization and, in turn, pass them along to the



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2 users and payers of railway transportation.

3 We therefore recommend to the Commission:

4 "That the federal government should be pre-
5 pared to remove any obstacles which may stand
6 in the way of the introduction of technological
7 improvements; and investigate ways and means
8 by which the railways can be enabled and
9 encouraged to institute the full economies
10 which can be derived from such technological
11 advances."

12 "In Transit" or Stop-Off Privileges: The
13 railways have, for many years, provided in limited fashion
14 what is called "in transit privileges" which permit a
15 stop-over for storage or processing, usually of bulk
16 commodities. This retains to the railways the outbound
17 movement of processed goods for which they have hauled
18 the inbound raw materials.

19 Since the principal erosion of traffic by
20 trucks is in the field of outbound processed or
21 manufactured goods, it would appear that there is oppor-
22 tunity for review by the railways of the possibilities
23 of wide extension of "in transit privileges" to other
24 industries for which they carry considerable inbound raw
25 material, and, perhaps, even to the extent of consider-
26 ing warehousing "in transit" of processed or manufactured
27 goods.

28 We therefore suggest to the Commission:

29 "That the extension of 'in transit privileges'
30 on a much wider basis should be given care-
31 ful consideration by the railways."



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2 Through Rates Versus the Sum of its
3 Components: In many cases today, it is possible to
4 undercut a through rate by rebilling at an intermediate
5 point and paying the sum of two local rates or, in some
6 cases by billing to a more distant point and then
7 rebilling for a back haul.

8 The Chamber believes that this practice adds
9 unnecessarily to the operating costs of both the railway
10 and the shipper.

11 It therefore suggests to the Commission:

12 "That, where the aggregate of intermediate
13 rates is less than the through rate, the shipper
14 should be entitled to the lower rate without
15 the additional work and expense to both
16 shipper and carrier caused by rebilling either
17 at an intermediate point or for a back haul."

18 This, Mr. Chairman, we suggest is standard
19 practice practically throughout the tariffs in the
20 United States.

21 Incentive rates for Heavy Loading: In an
22 effort to achieve more economical and efficient oper-
23 ation, American railroads have recently introduced incen-
24 tive rates for heavier loading of freight cars by
25 shippers. Shippers whose commodities are of great
26 density are allowed lower incentive rates if they load
27 cars closer to their maximum capacity.

28 Instances have been drawn to the attention
29 of this Chamber in which less than half the number of
30 railway cars could have been used in a movement of freight
if the shipper had been encouraged to load cars to their



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2 maximum capacity. One such instance involved the move-
3 ment of some 40 cars a distance of 1200 miles. At
4 maximum loading some 13 cars could have handled this
5 particular movement with, we suggest, considerably
6 reduced cost to the railway. A percentage reduction
7 in rate, related to the percentage increase in weight
8 over the car minimum would, we suggest, be effective not
9 only in reducing operating costs but its broad appli-
10 cation should have effect on the overall number of railway
cars required and the greater utilization of equipment.

11 We therefore suggest to the Commission:

12 "That the present practice of incentive load-
13 ing should be extended by developing a system
14 of incentive rates for heavier loading of rail-
15 way cars by shippers."

16 F. Assets and Earnings on Investments:

17 The fourth specific term of reference of the Commission
18 is: "Whether, and to what extent, the Railway Act
19 should specify what assets and earnings of railway
20 companies in businesses and investments other than
21 railways should be taken into account in establishing
freight rates."

22 Canadian business practice is such that each
23 function of a company or group of companies is expected
24 to stand on its own feet. The Chamber believes that
25 railway operations should normally be self-sustaining.

26 Generally speaking we believe, too, that the
27 disposition of profits or losses as between various
28 functions of any company or the decision to enter new
29 fields or abandon old ones, is an internal one in which
30



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2 management should be left the widest possible freedom
3 of action. In the field of transportation, entrance
4 into new fields should be, and is, a matter to be con-
5 sidered by the guardians of the public welfare in that
6 regard; similarly departure from the field once entered;
7 similarly compensation for such regulated endeavour
8 should be based on the service, not wealth or earnings
9 from other sources. Only in this way will the public,
10 all of us, know what these services cost, and pay the
11 cost.

12 We have already suggested in the section of
13 this brief dealing with controls (paragraphs 109-114),
14 that insofar as railways are concerned the inherent
15 prerogative of management to manage is already seriously
16 impaired.

17 We therefore recommend to the Commission:

18 "That the Railway Act should specify that
19 assets and earnings of railway companies in
20 businesses and investments other than railways
21 should not be taken into account in establish-
22 ing freight rates."

23 G. Other Matters: The final and "omnibus" term
24 of reference of the Commission is: "such other related
25 matters as the Commissioners consider pertinent or
26 relevant to the specific or general scope of the inquiry."

27 (a) Effects of Equalization: We believe that
28 basically, railways are built to move commodities and,
29 generally commodity rates move by far the largest share
30 of railway traffic. To this end, tariffs have been
developed to cover most commodities and, for those goods



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2 not falling readily into such groups, class rates are
3 determined by means of a classification related to bulk,
4 value and susceptibility to damage.

5 The program of "equalization" began with class
6 rates and then moved on to the commodity rates, where
7 it was found that certain principles enunciated in the
8 class rates deliberations were either impossible or
9 extremely difficult to apply.

10 Hindsight suggests that it might have been
11 wiser, first to have tackled the equalization of commodity
12 rates and then to have moved on to the class rates.
13 Certainly no doctrinaire adherence to any yardstick can
14 long impede the efforts of rates to find their effective
15 levels.

16 Following the inauguration of the "equalized"
17 class rates, a large amount of traffic which should move
18 on class and commodity rates has been diverted to
19 special rates (competitive rates or agreed charges)
20 constituting a serious loss in revenue to the railroads.

21 It would be interesting to know if all these
22 diversions to special rates were caused by competition
23 or whether, and to what extent, they flow from the appli-
24 cation of "equalized" class rates.

25 The C. N. R. submission to the Turgeon Com-
26 mission in 1951 indicated that about 25 per cent of
27 mileage failed to contribute anything to overhead, while
28 an additional 30 per cent was marginal. This left 45
29 per cent of their operations to provide virtually all
30 the overhead costs.

With the application of "equalization" to all



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2 of Canada except the maritime select territory, such
3 losses as may be incurred in one region because of higher
4 operating costs must be recouped from profits in other
5 regions. In the process some rates may be maintained
6 at an artificially high level, making them progressively
7 more vulnerable to competitive carriers not bound by the
8 principle of national "equalization".

9 This is why we suggest to the "Commission:
10 That it study whether, and to what extent
11 "equalization" has contributed to the solution
12 of Canada's transportation problems.

13 (b) Subsidies: Chambers of Commerce, tradition-
14 ally, don't like subsidies. Whatever their justification,
15 they can become shields for inefficient businesses, they
16 dull the spur of competition and there is constant
17 pressure to increase them and to cling to old patterns
18 and old methods rather than seeking more efficient and
19 economic methods.

20 However, we realize that subsidies of one kind
21 or another have been an inherent part of Canadian trans-
22 portation since the earliest days of our history as
23 a nation. These have been justified in the interests
24 of national development in a country which made trans-
25 portation one of the key issues surrounding Confederation,
26 and, which, because of its vast areas and relatively small
27 population, regards transportation as the key to its
28 development.

29 In the recent study "Transportation in Canada"
30 for the Gordon Royal Commission, Mr. Jean Lessard has
worked out, as nearly as possible, the direct and



indirect costs of our five principal modes of transportation. He defines them as follows:

"Direct cost, generally speaking, is the amount of money spent by users for the purchase of transportation from either a common or contract carrier, or from the operation of privately owned vehicles.

"Indirect cost of transportation, on the other hand, is the sum of money made available by all levels of government to the transportation industry through direct subsidy, the provision and operation of facilities and the payment of deficits."

Mr. Lessard's summary, which takes no note of the actual amount of dollars expended in each case, but only percentages of the total, is as follows for 1953:

	Direct costs Paid by Users.	Indirect Costs Paid by Governments.
Pipeline	100%	-
Highway	96.8%	3.2%
Rail	94.9%	5.1%
Water	78.3%	21.7%
Air	77.8%	22.2%

It is refreshing to note that, up to 1953 at least, pipeline transportation had been paid for completely by the users.

The provision of facilities, navigational aids, and of some direct subsidies have been standard practice in connection with water transportation since long before



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2 Confederation and this pattern has been more or less
3 that of air transportation.

4 In the case of highway transportation, a high
5 proportion of total cost is paid directly. Here it is
6 interesting to note that, in competing with railways,
7 while the trucker may pay his full share of highway
8 costs, he does so on a "use" basis. The number of
9 vehicles he operates and the miles they travel determine
10 the amount he pays for use of the highways and this
11 is closely related to his operating expense and the off-
12 setting income he earns.

13 So far as railway transportation is concerned,
14 the indirect costs paid by governments have included
15 subsidies paid to users; subsidies paid to the railways
16 to compensate for traffic carried at reduced rates; cer-
17 tain capital expenditures such as the Canso Causeway
18 which arise from time to time but which are not of a
19 recurring nature; miscellaneous amounts such as the
20 administrative expenses of the Department of Transport
21 and the Board of Transport Commissioners and, finally,
22 the most variable factor, that of cash deficits on oper-
23 ations. These include not only the C. N. R., but
24 ferries and terminals such as those serving Newfoundland
25 and Prince Edward Island and some payments by provinces
26 such as that of British Columbia to the Pacific Great
27 Eastern.

28 While motor transport users pay a larger share
29 of direct costs, these are paid on a "use" basis and the
30 nature of indirect rail costs paid by governments is,
in large measure, not designed to be of assistance to



the railways but is reimbursement for costs or deficits incurred in rendering specific services deemed to be in the national interest.

In the same volume, Mr. W. G. Scott has prepared an appendix (B) on the cost structure of the transportation industry. He quotes a recent British study suggesting that, while Canadian carriers will likely differ to some degree the percentages allocated in Britain under the following headings are at least indicative:

<u>Cost Category</u>	<u>Air</u>	<u>Motor</u>	<u>Rail</u>	<u>Water</u>
Track & Navigation	-	1	25	-
Terminals	15	6	20	18
Vehicles	68	85	50	63
Other	17	8	5	19

A study of the two tables set out in this section suggest that part of the difficult financial position of the railways is the fact that, vis-a-vis water and air carriers, they must spend from two to three times as much on navigation, tracks and terminals. As compared to trucks, they spend about six times as much on these items and these expenditures by the railways have relatively little relation to actual use. Generally speaking, they must be made before any traffic moves and are relatively the same regardless of the density of traffic that moves over particular sections.

The maintenance of a strong railway industry is essential to Canada's growth and proper development. While there has been erosion of traffic that is particularly important revenue-wise, the railways are



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2 still the backbone of our national transportation system
3 and their maintenance in a healthy financial state is of
4 great national importance.
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2 If we have reached the point where subsidiz-
3 ation is necessary in order to keep our railway trans-
4 portation alive and in sound state, we suggest that any
5 program of subsidization should be related to facilities
6 which fall in the classification of "Navigation, Track
7 and Terminals", rather than being charged against
8 specific commodities moved by the railways with the
9 inevitable implication that it is a "handout" to a
10 particular group of citizens or a particular part of
11 Canada.

12 In any case, any subsidies should be subject
13 to periodic questioning and review to be certain that they
14 continue to be necessary and to serve the public inter-
15 est in the best way possible.

16 We therefore suggest to the Commission:

17 "That if transportation subsidies are to be
18 paid they should be paid only for operations
19 which should be maintained in the public
20 interest, whether economic or not: And that
21 these uneconomic operations that are not in
22 the public interest should be discontinued."

23 H. Recapitulation of Recommendations: The
24 Winnipeg Chamber respectfully suggests to the Commission:

25 "That early and serious consideration be given
26 to the development of a clear and comprehensive national
27 transportation policy and means by which the present
28 multiplicity of controls can be integrated within the
29 framework of such a national policy."

30 "That any national transportation policy and
the regulations therein should be consistent with our



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2 free enterprise system and to this extent each mode of
3 transportation should be free to compete for any
4 traffic that is available; it should be permitted to base
5 its prices on its own natural advantages; its rates should
6 be based on its own costs and requirements and not forced
7 to bear any arbitrary relationship to other modes of
8 transportation."

9 "That each joint through rate should reflect
10 the rate characteristics of each mode of transportation
11 employed, in proportion to its share of the total move-
12 ment and no mode of transportation should be so regulated
13 as to deny to the general public the benefit of its in-
herent competitive advantages."

14 "That in the case of water and rail joint
15 through rates, rate construction should be limited to
16 routes over the port of trans-shipment."

17 "That the principle of Tariff C.F.A. 6 which
18 now applies only within eastern Canada be extended to
19 cover the whole of Canada and we respectfully suggest
20 that this might be done by a comprehensive rule rather
21 than by having to work out a complete tariff covering all
points."

22 "That it should investigate the present prac-
23 tice of breaking many rates at the border on shipments
24 from U. S. points into western Canada and the advisabil-
25 ity, in the interest of the consuming public, of minimiz-
26 ing, or if possible eliminating this practice by a wide-
spread use of joint through rates over these routes."

27 "That some careful review should be made of
28 present switching rules and charges and an effort made
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2 to work out some method of handling and paying for
3 interswitching in urban areas which will meet the con-
4 ditions and needs of present-day industry."

5 "That when competitive rates are initiated to
6 assist shippers to enter or remain competitive in a
7 market area, rates from other competing points should be
8 maintained at a level which preserves the geographic
9 advantage of other shippers, particularly when it can
10 be shown that prior to the imposition of the competitive
11 rate, they had enjoyed a share of the market concerned."

12 "That if the current very marked advantage to
13 maritime shippers in the populous markets of central
14 Canada is part of the price which Manitoba must pay for
15 Confederation, we should want to be so assured, by some
16 impartial body such as your Commission, having had a
17 close look at these maritime freight rates, and having
18 considered whether the advantage conferred is greater
19 than that intended by the Duncan Commission and the
20 Turgeon Commission, both of which had studied the
21 question exhaustively."

22 "That, in determining the compensatory nature
23 of the Crow's Nest Pass grain rates, grants received
24 by the C. P. R. as compensation for the fixing of
25 these rates must necessarily be considered in conjun-
26 ction with the railway's income from such traffic and
27 its expense in relation thereto; and"

28 "That, if any changes are to be made in the
29 Crow's Nest Pass rates, the new rates should be based
30 on the criteria laid down by Parliament in Section 336
of the Railway Act and in accordance with the general



1
2 "application of these criteria by the Board of Transport
3 Commissioners for Canada."

4 "We believe that the cost of maintaining un-
5 remunerative passenger services needs careful examination
6 and that the present competitive position of the railways
7 makes it no longer possible to charge losses on passenger
8 services against revenue from freight services."

9 "That the railways study the abandonment of
10 unremunerative railway branch lines and services, and
11 the substitution of integrated or other truck services."

12 "That a joint study by the railways and the
13 grain trade, be made of the branch line system in western
14 Canada giving due consideration to the existence of the
15 line elevator system."

16 "That a careful review be made of the multip-
17 licity of regulations now governing railways in practically
18 all their activities with a view to streamlining them
19 and insofar as possible, permitting railways the normal
20 freedom accorded to industrial management."

21 "That the federal government should be prepared
22 to remove any obstacle which may stand in the way of
23 introduction of technological improvements; and investi-
24 gate ways and means by which the railways can be enabled
25 and encouraged to institute the full economies which
26 can be derived from such technological advances."

27 "That the extension of "in transit privileges"
28 on a much wider basis should be given careful consider-
29 ation by the railways."

30 "That, where the aggregate of intermediate
rates is less than the through rate, the shipper should



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2 "be entitled to the lower rate without the additional
3 work and expense to both shipper and carrier caused by
4 rebilling either at an intermediate point or for a back
5 haul."

6 "That the present practice of incentive loading
7 should be extended by developing a system of incentive
8 rates for heavier loading of railway cars by shippers."

9 "That the Railway Act should specify that
10 assets and earnings of railway companies in businesses
11 and investments other than railways should not be taken
12 into account in establishing freight rates."

13 "That it study whether, and to what extent
14 "equalization" has contributed to the solution of
15 Canada's transportation problems."

16 "That if transportation subsidies are to be
17 paid they should be paid only for operations which
18 should be maintained in the public interest, whether
19 economic or not; and that these uneconomic operations
20 that are not in the public interest should be discontin-
21 ued."

22 THE CHAIRMAN: Mr. McCormick, before calling
23 on Mr. Cooper to ask you some questions, I should give
24 you my own view and that of the Commission: Your sub-
25 mission is in the tradition of the Winnipeg Chamber of
26 Commerce.

27 MR. McCORMICK: Thank you, sir.

28 THE CHAIRMAN: It represents a great deal of
29 thought and effort, and we appreciate very much the
30 help you are giving us. We realize that you have a
tradition in this Winnipeg Chamber of Commerce which



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2 goes back many years, and I have in mind one great
3 Canadian, whom you are happy to still have with you
4 in Winnipeg, Mr. Isaac Pitblado, Q. C., who contributed
5 so much to this question in the early days. I think,
6 in a very real way, you have given a contribution to us;
7 it is most provocative, and we appreciate it.

8 MR. McCORMICK: Thank you very much, sir.

9 CROSS-EXAMINATION BY MR. COOPER:

10 Q. I have very few questions, Mr. McCormick,
11 and they are related chiefly to your recommendation that
12 the early and serious consideration be given to the
13 development of a clear and comprehensive national trans-
14 portation policy and means by which the present mul-
15 tiplicity of controls can be integrated within the frame-
16 work of such a national policy. I gather from your
17 brief and other recommendations that you would favour
18 as perhaps the central theme of any such national
19 transportation policy freedom from controls, certainly
20 of an onerous nature to the railways; is that correct?

21 A. Freedom from unnecessary controls.

22 Q. Could you assist the Commission by deter-
23 mining generally what controls you consider necessary
24 and what unnecessary -- not in detail, but generally?

25 A. No, I don't think I would want to try to
26 do that. The policy on which we are working is that
27 controls should be established only where is clear need
28 to defend some accurately defined public interest. I
29 don't think I would want to try to indicate them at
30 such short notice as this.



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2 Q. I am not suggesting for one moment that
3 you be asked to mention anything specific by way of
4 controls, but is there some general line which can be
5 drawn so that controls be held on one side of the line
6 and dropped on the other? I have in mind, for example,
7 the matter of rates: How far should control go over
8 rates -- to the extent they go now, or should such
9 controls be relaxed and, if so, to what general extent?

10 A. The controls on rates now, by and large,
11 -- the railways can put in a competitive rate if there
12 is competition, very quickly. These things can be done.
13 We want to see more flexibility in meeting conditions.
14 There are a number of things in public interest - equality
15 of treatment is one of them. Some of these things are
16 necessarily part of the control, but I would hesitate
17 to start to list what I consider an essential part of
18 them.

19 Q. Would you visualize a new body being
20 set up to investigate and formulate a national trans-
21 portation policy, or that such a policy would be formul-
22 ated by existing agencies?

23 A. I would say by existing agencies. Frankly,
24 I think it is a government job; this is a policy matter.
25 I am not suggesting another organization or another
26 administrative unit, but nowhere can we find any clear-
27 cut outline of the policy which should govern the actions
28 of the Board of Transport Commissioners, in administering
29 the rates. They have the specific direction in the Act,
30 and we have used the reference of, perhaps, "Philosophy
of Transportation." Sometimes we get the impression



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2 that the Board is more interested in interpreting the
3 Act specifically, and I can't find any place in the
4 Act that a prime function of the Board is to protect
5 the general public.

6 THE CHAIRMAN: I think you are gently suggest-
7 ing that we assist the government with a recommendation.

8 THE WITNESS: Yes, that is it, sir.

9 THE CHAIRMAN: A gentle suggestion.

10 MR. COOPER: Q. With respect to any national
11 transportation policy, you envisage no doubt not only
12 railways but also transportation by air and water and
13 truck as being included therein?

14 A. This is our thought. In paragraph 27 we
15 mention some of the things we thought should be in it;
16 that each mode of transportation should be able to compete
17 for any traffic available and be permitted to base its
18 own prices on its natural advantages. We don't pretend
19 this is an all-inclusive thing, but these are some of
20 the things. I believe such a study has been made in
21 the United States -- I am not certain.

22 Q. But, in any event, any national transport-
23 ation policy to be investigated by this body or any other,
24 would concern itself ---

25 A. With the whole field of transportation,
26 yes.

27 Q. Has the Winnipeg Chamber of Commerce
28 considered any specific amendments to the Railway Act,
29 or the broad question as to whether or not all matters
30 of transportation should be drawn within one statute?

A. I don't think that has been considered. I



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2 would say that the Chamber's care in saying they don't
3 favour a super Board of Transport Commissioners would
4 indicate -- and I am presuming here -- I am assuming
5 they would also not favour rolling all transportation
6 legislation into one Act.

7 Q. You have not touched at all, as I recall
8 it, except with respect to passenger traffic, on trans-
9 portation by air: Can you assist the Commission at all
10 by indicating the extent to which you think that air
11 cargo will develop within the prairie region within the
12 next few years?

13 A. Well, air cargo -- we have one mode of
14 transportation that nobody has mentioned on which
15 we depend in part of Manitoba, and that is the tractor
16 train in the far north, which moves substantial cargoes
17 in the winter time. We do move quite heavy quantities
18 of freight by air. These are important things, and I
19 wouldn't begin to suggest how far we think this may go,
20 but one thing we did suggest, when talking about joint
21 through rates, is that the time has come when we should
22 be beginning to think about a combination of these forms
23 of transport and of these rates, plus air on a joint
24 through movement which may move by rail to some place
25 and then by air on. At the present time they are two
26 separate and distinct movements. Air cargo is certainly
27 developing fairly rapidly in Manitoba.

28 Q. I take it you expect that to continue
29 at an accelerating rate?

30 A. I would think so.

Q. How greatly accelerated do you think that



rate will become in the next few years?

A. I wouldn't hazard a guess, sir.

MR. COOPER: That is all, thank you.

CROSS-EXAMINATION BY MR. DICKSON:

Q. Mr. McCormick, you mentioned the tractor trains: I don't know whether the Commission is familiar with the nature of that mode of transport and the use of it, but it is of some, I think, interest as a mode of transport in this part of the world?

THE CHAIRMAN: We know about it.

MR. DICKSON: Q. It is competitive only with the air transport?

A. It is.

Q. And it is not of significance in relation to the movement of grain and grain products?

A. No.

Q. Would you turn to page 6, paragraph 23, where you state:

"It has been our practice in Canada to condone, or actively promote, practices in the field of transportation which in almost any other industry would bring speedy review by the Restrictive Trade Practices Commission or the Combines Branch of the Department of Justice."

That is a good, provocative statement.

A. Maybe I had better hasten to say we don't imply there is anything wrong. First of all, I think we must recognize that transportation is essentially a regulated industry, but there is a provision in the



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2 Transport Act which, I think, indicates -- I am not
3 pointing a finger at the Board of Transport Commissioners
4 -- but there is a provision in the Transport Act,
5 section 32, sub-section 2, which has to do with the
6 setting of agreed charges:

7 "No agreement for an agreed charge for transport
8 by rail from or to a competitive point, or
9 between competitive points, on the lines of
10 two or more carriers by rail shall be made
11 unless the competing carriers by rail join in
12 making it."

13 We have seen a number of cases and we have
14 heard before the Board of Transport Commissioners a
15 great many times where they have suggested if the dis-
16 putants who are carriers only get together and work out
17 a compromise that they would accept it, and we think
18 this is a procedure which certainly would not be accept-
19 able with most companies outside the transportation field.
20 In some cases there is no legislation which says the
21 Board of Transport Commissioners must protect the public
22 interest.

23 THE CHAIRMAN: There is no collusion.

24 THE WITNESS: You cannot judge it there, but
25 it would come in under "collusion" in something else.
26 This is an accepted part of transportation, and it has
27 been as long as there has been regulated transportation
28 in Canada.

29 MR. DICKSON: Q. It is normally regarded as
30 being outside the Combines Investigation Act?

A. Yes. We said "As in other industries".



1
2 Q. Are you suggesting it should be removed
3 from the possible assault by the Combines Branch?

4 A. I think we are suggesting, or would suggest,
5 that there is probably need to see that someone should
6 act as the guardian of the public interest when these
7 arrangements between competing people before the Board
8 are working out a solution.

9 Q. Do you not recognize a real competition
10 between these two major railways in Canada?

11 A. Competition in service, yes.

12 Q. It is very active?

13 A. Yes, but there are other fields where
14 competition normally takes effect, that don't exist.
15 I am not suggesting there should be price competition
16 between them, but there is limited competition.

17 Q. Yesterday, in answer to a question by my
18 friend, Mr. Sinclair, Premier Roblin referred to an
19 ex gratia payment which was made by the C. P. R. to the
20 city relative to taxation, and in case that is not
21 clear to the Commission, could you give the Commission
22 some of the background that would throw some light
23 on that particular thing.

24 A. This is somewhat removed ---

25 Q. Yes, but you are the Chamber of Commerce
26 of this city.

27 A. Well, this goes back - the original charter
28 of the C. P. R., as I remember, provided for the route
29 to go by way of Selkirk up between the lakes and even-
30 tually to follow the Yellowhead Pass route through the
Rockies. There were many changes since then. One of them



1
2 was that some alert, progressive business men, who were
3 the early fathers of the Winnipeg Chamber of Commerce -
4 and the name Ashdown comes to my mind - interviewed the
5 C. P. R. and, by arrangement with the city and others,
6 the C. P. R. line which had almost reached Selkirk swung
7 suddenly southward and crossed the Red river at where
8 Winnipeg now exists. The arrangement was that the city
9 was to establish a bridge over the Red river, but the
10 C. P. R. were to receive freedom from taxation in
perpetuity in Winnipeg.

11 Q. Do you know the date of that arrangement?

12 A. It was around 1882 or 1883.

13 Q. 1881, perhaps?

14 A. Probably then. Now, that arrangement,
15 the city of Winnipeg fought through to the Privy Council,
16 and in that case Winnipeg has learned from the C. P. R.
17 a very healthy regard for the sanctity of contracts,
18 because they won out and the city of Edmonton was told
19 by the Privy Council the agreement was binding, and out
20 of the discussions the C. P. R. negotiated with the city
21 this ex gratia payment in lieu of -- the city agreed
22 that -- I think part of the terms of the agreement was
23 that the matter should not be discussed, and I hope we
24 are not violating it here.



50. Freedom
(1000000000)



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2 Q. If you read the papers from time to time
3 it would indicate there is nothing too binding on that
4 agreement.

5 A. I don't think so.

6 THE CHAIRMAN: It is part of the tradition of
7 Winnipeg.

8 MR. DICKSON: Q. That was an 1881 agreement
9 which gave the C. P. R. perpetual relief from this?

10 A. I don't think that is for all C. P. R.
11 property in the city, but for the property required
12 at that time, and recently the city endeavoured, by
13 reason of change of circumstances, to be relieved of
14 that onerous agreement and the case was brought to the
15 Privy Council and as a result the city lost.

16 Q. Now, would you turn to page 21, Mr.
17 McCormick, paragraph 75. Now, you spoke a moment ago
18 about the sanctity of the contract. As you are no
19 doubt aware, there is a body of legal opinion and other
20 opinion in this part of the world exemplified by the
21 briefs which have been filed by the provinces, which
22 considers that this - rightly or wrongly - that there
23 is still a Crow's Nest Pass agreement in effect?

24 A. That is right.

25 Q. Is that correct?

26 A. That bit of information is substantially
27 represented by the Winnipeg Chamber of Commerce, too.
28 I think I should say that we have never reached complete
29 unanimity in drafting the brief.

30 Q. Whatever you say would be subject to the
recognition of the facts there is possibly a valid



1
2 outstanding agreement?

3 A. I will say this; there is a legal obligation,
4 but there are many people on the council of the Chamber
5 who will argue that there is a valid agreement.

6 Q. I am not asking you to express a legal
7 opinion at all, but that paragraph 75 is subject to the
8 possible contractual rights, which you didn't mention
9 in this particular paragraph.

10 A. Right.

11 Q. Now, on page 26, paragraph 87, Mr.
12 McCormick, you state: "We are disturbed by the sugges-
13 tion of the railways that, if their case is substantiated,
14 the answer would be to increase the present Crow's Nest
15 Pass grain rates by a fixed percentage." Now you are
16 aware that the railways have not aksed that the farmers'
17 costs be increased.

18 A. No, they have asked for a subsidy. In fact,
19 the rates are to be increased, they are to be doubled,
20 but the subsidy ---

21 Q. That was within their knowledge, that
22 there was not to be an increase to the farmers in the
23 Crow's Nest Pass agreement?

24 A. Quite right.

25 Q. Now, page 29, and dealing with this branch
26 line situation. Are you speaking here - do you consider
27 this a problem for the prairies only, or do you regard
28 it as something that should be considered across the
29 country?

30 A. The first part is across the country; we
do make a specific reference from paragraph 104 on, which



1
2 is western Canada, but the first part does contain
3 recommendations and it is a national look at it rather
4 than from the prairie viewpoint.

5 Q. And why is your recommendation in paragraph
6 108 related to western Canada, where you suggest a
7 joint study should be made of the branch lines in the
8 system in western Canada; why would you not have that
9 nationwide?

10 A. Well, paragraph - the earlier paragraph -

11 Q. Paragraph 103?

12 A. Paragraph 103; I suggest a broad study
13 by the railways to cover the whole of Canada.

14 Q. These unremunerative branch lines of
15 service?

16 A. Yes. The second one has reference to
17 western Canada, because we feel that is a particular
18 situation, but then there is more than just people alone
19 here, there is a substantial investment by the grain
20 companies and the elevators, the collection points, and
21 those are the focal points for the whole economy of the
22 region, and I think they should receive special consider-
23 ation over and above anything you look at in the national.

24 Q. You do recognize it as a national problem;
25 that is your proposition, that you say there is a
26 national problem about the unremunerative branch lines?

27 A. Yes.

28 Q. And that it should be reviewed nationally?

29 A. Yes.

30 Q. But in this particular --

A. There is a special application here that



1
2 must be taken into consideration.

3 Q. In that western application which you
4 speak of, why would you ignore what I would refer to
5 as the most important interest involved, and that is
6 that of the farmers. You speak of the railways and the
7 grain trade, which we take to cover the grain handling
8 organizations, but why would you not bring the farmers
9 in on this study?

10 A. There is no reason why they shouldn't
11 be. I am quite certain if any study is going to be
12 made they will be in.

13 Q. You can rest assured of that.

14 A. Yes.

15 Q. In paragraph 100, Mr. McCormick, you
16 have spoken of the various features which have minimized
17 the dependency of the rural population on common carriers
18 to all but the bulkiest commodities. Do you regard
19 grain and grain products as one of these bulky commodi-
20 ties?

21 A. Yes.

22 Q. So that would not be pertaining to the
23 movement of grain or grain products?

24 A. No.

25 Q. Then, in paragraph 101 you speak of the
26 railways having sought abandonment where the costs
27 are in the order of three times the operating revenue;
28 in other words, your revenue is one-third of your
29 costs, and at that time the railways, you suggest,
30 have this rule-of-thumb --

A. I was just looking at what they have done.



1
2 I don't know that that is a rule-of-thumb that they
3 apply, and I should say that this applies as much to
4 abandonment of service as abandonment of the line it-
5 self.

6 Q. That is the rule or the rough guide that
7 the railways follow, are you now suggesting that they
8 abandon that and depart from that particular guide,
9 and consider abandonment of service and branch lines
10 when operating costs equal operating --

11 A. No, that was an observation leading to
12 this conclusion. I don't think you should take any
13 implication of any change or anything else from that
14 paragraph.

15 Q. So that you would say that would still
16 apply as a rough test?

17 A. I don't think I would want to suggest
18 when the railways should apply it; that is a matter
19 for them, but we do say in looking at the application
20 that we have seen, this appears to be about the point
21 at which they have it. It may be applying other
22 criteria, that of from the outside looking in, and this
23 is one thing we observed.

24 Q. What cost studies have the Chamber made
25 to justify this portion of your report?

26 A. None.

27 Q. Are you supporting either of the railways
28 in the current applications for abandonment?

29 A. No; neither supporting nor opposing.

30 Q. Now, in paragraph 103 you speak of the
abandonment of unremunerative branch lines and a



1
2 substitution of integrated or other truck service.

3 Do you say that truck service is altering the service
4 being used in the transport of grain and grain products?

5 A. I am not sure. We see grain south of us
6 hauled several hundred miles in semi-trailers, but
7 granted, they are working on a completely different
8 set of rates down there.

9 Q. And a different set of roads?

10 A. Yes, a different set of roads. What the
11 next ten or twenty years will hold for the prairies,
12 I don't know. Certainly at the minute there is no
13 substantial long haul movement of grain by truck.

14 Q. In paragraph 107, Mr. McCormick, you speak
15 of the farmer in the years past and his team of horses
16 drawing a load of grain and delivering it to the
17 elevator and then returning to the farm in the afternoon,
18 which I presume was intended to convey the thought that
19 with the use of trucks he can reach more distant delivery
20 points?

21 A. This is an outmoded yardstick, and it
22 was mentioned in the western rate case in 1911 or 1912,
23 where I think stations occurred about every eight miles,
24 and in permitting the construction of private lines, the
25 Board took this yardstick into consideration. Now, that
26 yardstick is outdated very definitely, and as was dis-
27 cussed yesterday, there are a whole lot of other matters;
28 there is the present pattern of farming where the farmer
29 runs a binder around the field and puts the grain in
30 a truck and takes it to the elevator and then comes
back to the field, but that is a different pattern, and



1
2 all we have suggested is that this yardstick is dif-
3 ferent and we have got to develop a series of new
4 yardsticks.

5 Q. You were here yesterday afternoon when
6 Mr. Parker stated that a distance of 7 to 15 miles
7 on this particular line he was talking about was con-
8 sidered to be too far an additional distance for a
9 farmer to take his grain.

10 A. Yes.

11 Q. In paragraph 108, Mr. McCormick, you make
12 the statement, and I think this will come as a blow
13 to the grain handling organizations, "Many of the
14 country elevators have reached, or are close to, the
15 optimum limit of their useful life." What is the
16 basis of that statement?

17 A. Their age. The fact that a lot of them
18 have been standing since 1912.

19 Q. What is the maximum storage life of a
20 country elevator?

21 A. I don't know, but I would guess about
22 60 years.

23 Q. Don't you know that it is almost indefinite;
24 in fact, in the opinion of most grain people they
25 regard it as indefinite.

26 A. I was not so informed.

27 Q. Do you know how many millions of dollars
28 have been spent by the grain handling organizations
29 in keeping their plants right up to date over the
30 past few years?

31 A. I don't know anything about that; I



1
2 suppose it has been substantial.

3 THE CHAIRMAN: I think, Mr. Dickson, that
4 we are not too interested in the service life of the
5 elevators.

6 MR. DICKSON: Q. Now, Mr. McCormick, you
7 mention on page 38 that you wouldn't bring into account
8 the earnings from other assets, the non-rail assets of
9 the railways. Now, if it were the conclusion of this
10 Commission that a subsidy should be paid from the
11 public treasury to the railways, would you consider
12 that the earnings from non-rail assets should be taken
13 into account in determining the amount of that subsidy?

14 A. As this reads, no.

15 Q. You wouldn't?

16 A. No, it would have to be looked at in
17 the total - the suggestion is that any subsidy should
18 be related to track facilities, not to earnings.

19 Q. And you accept that submission on behalf
20 of the railways?

21 A. This is the Chamber's submission.

22 Q. And suppose, to take the transportation
23 aspects, that the railways are making a very large
24 profit, say, on their trucking operation, which in
25 a degree is not competitive with the rail operations,
26 would you ignore the profit from the trucking oper-
27 ations in determining the amount of the subsidy
28 relative to the rail operators?

29 A. No, I don't think you would ignore it;
30 it would have to be taken into consideration, but
if - you are talking about subsidy and we were



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2 talking about establishing freight rates, and these
3 are different things. In establishing freight rates,
4 the Chamber's suggestion is that their income from
5 other assets should not be taken into consideration
6 and the rail operations should stand on its own feet.

7 Q. Let us talk about subsidies for just
8 a moment. If there is to be a subsidy, as recommended
9 by the railways, would you consider that non-rail
10 earnings should be taken into account in determining the
11 amount of that subsidy?

12 A. I think our statement would be no.

13 Q. That they should not?

14 A. Should not. They should be related
15 to the rail operation.

16 Q. And you wouldn't take into account, perhaps,
17 large earnings from trucking operations owned by the
18 railways?

19 A. I think those things would have to be
20 considered, but to what extent, I don't know. Basically
21 the submission is that these rail earnings and the
22 rail operation must stand on its own feet and should
23 pay its own way.

24 Q. And if they made large profits on their
25 air operations, which is possible -

26 MR. SINCLAIR: Or losses.

27 MR. DICKSON: Q. We will hope that the
28 losses which they encounter on rail will not go on
29 indefinitely, and if they do earn a large profit on
30 air transport, air cargo, transport by air, which
again is cutting into the rail transport, you would



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ignore the earnings from that source?

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A. That is right.

4

Q. Thank you, Mr. McCormick.

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THE CHAIRMAN: We will break for a few minutes.

6

---A short recess.

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2 ---Upon resuming.

3 THE CHAIRMAN: Well, order please, gentlemen.
4 Mr. Brazier.

5
6 CROSS-EXAMINATION BY MR. BRAZIER:

7 Q. Mr. McCormick, on page 5 of your brief,
8 paragraph 20, it states:

9 "Support for the system of free competitive
10 enterprise is the essential core of the
11 policies of Chambers of Commerce throughout
12 Canada".

13 I presume that is the essential core of the
14 Winnipeg Chamber of Commerce, too?

15 A. We would hope so.

16 Q. And your members believe that by allowing
17 the free play of competition the best results are
18 obtained.

19 Now, I ask you whether your comments in
20 paragraph 56 and the following few paragraphs there,
21 starting at the bottom of page 14 and continuing
22 over on page 15, to paragraph 59, are in keeping with
23 that central core of your policy?

24 A. Our objection to the present method,
25 Mr. Brazier, is that in effect the railway sets itself
26 as an arbiter as to which competitor should continue
27 to compete, because it permits the shipper from one
28 point by means of a competitive rate to stay in the
29 market, and it closes out the other man who has to
30 compete against him. This, we say, is not the
function of the railway, and I can quote a U. S.



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2 railroad president, who said recently, that in his
3 opinion, if a reduced rate is published to a market
4 point, that reduced basis should be available to all
5 shippers to that market point.

6 Q. The example you give, appearing in para-
7 graph 57, is not quite in line with what you have just
8 said, and I call your attention to the fact, and you
9 have been quite fair in the circumstances you have
10 mentioned, that there is a possibility of lower water
11 rates via the Panama between Montreal and Vancouver.
12 You recognize that as a fact?

13 A. Yes, that was right.

14 Q. And you say that some competitive factor,
15 say, lower water rates via the Panama Canal, produces
16 competition for the long-haul traffic from Montreal.
17 Now, the existence of that competition is not brought
18 about by the railways; it is a competition force which
19 they are forced to meet; isn't it?

20 A. That is right.

21 Q. So, it is not true to say that the rail-
22 ways are determining whether or not a competitive rate
23 is being given from Montreal?

24 A. They are determining. They are free to
25 meet it or not. They do not have to meet it, but in
26 choosing to meet it the effect of their decision is
27 to shut out the man in the immediate market.

28 Q. So, the railways decide that they will
29 have to leave their rate from Montreal as it is?

30 A. Yes.

Q. If this competitive factor which you



1
2 mention does exist, they won't get any traffic, will
3 they?

4 A. That is right.

5 Q. So that the goods will reach Vancouver
6 via water?

7 A. That is right.

8 Q. At a lower rate?

9 A. Right.

10 Q. And your manufacturer in Winnipeg will
11 still have to compete with that lower rate?

12 A. The railways could give him the rate
13 they would have given the Montreal man, and move the
14 Winnipeg goods in, and enable him to get the haul from
15 Winnipeg at the same rate, at lower cost and more profit.

16 Q. But that is ignoring the fact that the
17 railways decide that they cannot lower their rate; their
18 costs are too high, let's say; they cannot meet the
19 competition?

20 A. They may be too high from Montreal, but
21 the situation from Winnipeg might be different.

22 Q. Aren't you now -- to be quite frank,
23 aren't you suggesting that special rules should be
24 applied to this sort of competition?

25 A. No, we are saying that in applying the
26 rules you must be fair to all the people. You must
27 treat them equally. You mustn't shut anyone one of
28 a market by reason of giving a competitive rate to
29 someone else.

30 Mr. Brazier, take Winnipeg as the competi-
itive point. If they put in a competitive rate from



1
2 Toronto to Winnipeg, wouldn't you expect somewhat the same
3 situation for the Vancouver shipper shipping into here?

4 Q. Not if there was no competition from
5 Vancouver, I wouldn't. Why should I?

6 A. I think the manufacturer there who had
7 been selling in Winnipeg might feel he is being discrim-
8 inated against.

9 Q. I could understand an individual complain-
10 ing about the situation, but, looking at this on broad
11 principle, I suggest that the Chamber of Commerce as an
12 organization should not support that, too.

13 A. We look at individuals, too. The
14 organization is made up of individuals, and we are
15 concerned with their problems.

16 Q. You do not think -- by your comments here,
17 you are suggesting that these competitive rates between
18 Montreal and Vancouver are being made subject to special
19 rules and regulations?

20 A. We are suggesting that not just on that
21 basis, but any place when a competitive rate is put into
22 effect, the railways should have regard for the inter-
23 mediate people competing in that market, and that should
24 be the basis for a competitive rate made available to
25 them.

26 Q. You are aware, for instance, Mr. McCormick,
27 I think, that the rate on lumber from Vancouver to
28 Winnipeg is lower than it is for some points more
29 westerly?

30 A. Yes, that's right.

Q. You agree that that is a proper situation?



1
2 A. No.

3 Q. You do not?

4 A. No. What we suggest is that people
5 in the intermediate points should get some advantages.

6 Q. You have no objection to the lumber
7 rates into Winnipeg being increased above what they
8 are now?

9 A. I have no objection to other people's
10 rates being decreased.

11 Q. Decreased?

12 A. The answer is not always to raise
13 other fellow's rates; raise your own.

14 Q. That is putting the onus on the railways
15 to bear the loss of revenue.

16 A. Yes. You were talking about rates to
17 a point. We were talking about rates from a point.

18 Q. I am speaking of a rate from Vancouver
19 to Winnipeg. That lower rate exists because there
20 is competition from the American railways into Win-
21 nipeg; is that not so?

22 A. It is lower than what?

23 Q. It is lower than the rate to points west
24 of Winnipeg?

25 A. From our point of view, no, the rate
26 from Vancouver is not lower than the rate from
27 interior points. That is where the competition
28 comes from.

29 Q. Are you sure of that?

30 A. I'm not sure. Is it?

Q. Well, there is a lot of lumber, I suggest



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2 to you, comes into Winnipeg or Vancouver, the coastal
3 area.

4 A. Are the interior points shipping lumber
5 in here in competition --

6 Q. I think they are to --

7 A. -- at rates higher than the Vancouver ship-
8 pers?

9 Q. -- Vancouver, at times, because they
10 haven't got the competitive factor of an American line
11 into the interior.

12 A. I hadn't intended to be a defender of the
13 rights of interior British Columbia, Mr. Brazier, but
14 I would suggest that they should receive the same kind
15 of consideration.

16 Q. What I am suggesting to you, Mr. McCormick,
17 is this: That it would appear that the Winnipeg Chamber
18 of Commerce, while believing in competition, is suggest-
19 ing when that competition is to our detriment then we
20 should adopt some special rules in respect to them?

21 A. Or to the detriment to the interior of
22 B. C., or any other intermediate points.

23 Q. I am just dealing with your own brief, now.

24 A. All right.

25 Q. I am suggesting to you that you are, by
26 these paragraphs, saying that while we believe in com-
27 petition, if that competition in a specific instance
28 happens to be against our interests, then probably
29 different rules should be applied to it.

30 A. No. If the action of the railways to meet
competition happened to be detrimental to our interests,



1
2 then our interests should be protected.

3 THE CHAIRMAN: I think you have made your
4 point clear now.

5 MR. BRAZIER: Q. You will agree that the com-
6 petition is not brought about by the railways; it is
7 a factor beyond their control?

8 A. The factor is there. It is what they do
9 in meeting the competition -- that's what we are concerned
10 with.

11 Q. And knowing railway traffic people as
12 well as you do, Mr. McCormick, I suggest you have never
13 found them inclined to put in competitive rates unless
14 competition exists?

15 A. I don't think they are permitted to.

16 Q. Well, they have never attempted to, to
17 your knowledge?

18 A. Not so far as I know. We usually had to
19 exert a little bit of pressure and persuasion.

20 Q. Now, on page 29.

21 A. 29?

22 Q. Yes, 29. "We believe that the cost of
23 maintaining unremunerative passenger services needs care-
24 ful examination ..."

25 Would you include in your statement there all
26 unremunerative services of the railways?

27 A. Needs careful consideration?

28 Q. Yes?

29 A. Yes, surely.

30 Q. And would the Chamber of Commerce think it
proper that a subsidy be granted to the railways for their



unremunerative services which they are required to give in the national interest?

A. If they are in the national interest.

MR. BRAZIER: Thank you.

THE CHAIRMAN: Mr. Doherty?

MR. DOHERTY: I have no questions.

THE CHAIRMAN: Mr. Smith?

CROSS-EXAMINATION BY MR. SMITH:

Q. Mr. McCormick, I refer you to paragraph 4 of your submission. And, as I read that paragraph, you admit that the bridge subsidy has been of some benefit to the province of Manitoba?

A. Yes, sir.

Q. And the question I would next ask you is why in your opinion does the method of application make it of greater benefit to those provinces west of Manitoba?

A. Because it is part of the reduction under the bridge subsidy. It is a percentage of our total rate.

Q. Is not the method reduction in cents per 100 pounds, plus a percentage?

A. Yes.

Q. And would not a reduction in cents only benefit the provinces west of Manitoba in cents?

A. No, the reduction in cents only would possibly be of more benefit to us than to the provinces west. Reduction in percentage only would be a benefit to the provinces west -- a compromise.

Q. Wouldn't a reduction in cents per 100 be



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2 a greater benefit to Manitoba than to the farther
3 western provinces?

4 A. Yes.

5 Q. And was not the method which was devised
6 an endeavour to distribute the benefits evenly between
7 western provinces?

8 A. As evenly as possible, yes. But this is
9 not a protest against it; it is an observation.

10 Q. An observation, yes. I was merely asking
11 you, Mr. McCormick, for your opinion as to why the
12 application was not of as much benefit as you would have
13 expected.

14 A. I wouldn't say expected; I would say hoped.

15 Q. Well, as to why your expectations were not
16 fulfilled.

17 Now, dealing with paragraph 5 of your submission,
18 you set out, as appendix 4 to your submission, the pro-
19 visions of section 336 of the Railway Act?

20 A. Right.

21 Q. And there are other exemptions therein
22 set out, besides the Maritime Freight Rates Act ----

23 A. Yes, that's right.

24 Q. -- as you will observe if you read sub-
25 section 4 --

26 A. Yes.

27 Q. -- subsections 1, 2 and 3 are subject to
28 subsection 6 of section 328 of the Act and to the
29 Maritime Freight Rate Act, and do not apply in respect
30 of the matters as set out in subclauses (a) to (g)?

31 A. That's right.



1
2 Q. The first is international rates; the
3 second is rates on export and import traffic; the third,
4 competitive rates; the fourth, agreed charges; the fifth,
5 rates over the White Pass and Yukon routings. Then,
6 there is one relating to movements of freight traffic
7 upon and over the eastern lines, and then, last, there
8 is a comprehensive clause where the Board considers that
9 an exception should be made from the operation of the
10 section. That is true, is it not?

11 A. That is right.
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2 Q. I ask you, Mr. McCormick, are not these
3 exceptions very important exceptions to the general
4 provisions of section 336?

5 A. These are all important exceptions, Mr.
6 Smith.

7 Q. Could you tell me, from your long experi-
8 ence with traffic matters, whether or not there were
9 rates affected which were pursuant to clause (g)?
10 That is the section where the Board considers that an
11 exception should be made from the operation of this
12 section?

13 A. I don't know of any.

14 Q. Do you know of groups A and B?

15 A. You are right, yes.

16 Q. Movements from Montreal ---

17 A. The point is well taken.

18 Q. Montreal to Winnipeg and Toronto to
19 Winnipeg, and you know that was covered by the judgment
20 of the Board?

21 A. Right.

22 Q. In other words, that the rate from Montreal
23 to Winnipeg is the same as the rate from Toronto to
24 Winnipeg?

25 A. Right.

26 Q. Does your Chamber of Commerce recommend
27 that rates from Montreal should be increased to reflect
28 the true mileage?

29 A. No, we have never so recommended. We
30 said at the time of the hearing of the Board we would
be quite happy to leave A and B groups undisturbed.



1
2 Q. There have also been some exceptions:

3 There is the exception in relation to traffic from the
4 mainland of British Columbia to the island of Vancouver?

5 A. Well, there is some provision there: Two
6 miles by water ---

7 Q. Two miles by water means the same as one
8 mile by land?

9 A. Yes. I should go back to this grouping
10 of the A and B: This was of no benefit to Winnipeg. You
11 are not trying to imply that?

12 Q. I am just asking whether there were other
13 exceptions?

14 A. There were others that you have referred to,
15 and I could not think of any. There is one other, that
16 Vancouver was given advantage of the New Westminster
17 mileage.

18 Q. Was not the province of Manitoba in the
19 forefront of the so-called fight for equalization?

20 A. I don't speak for the province of Manitoba.
21 I speak for the Winnipeg Chamber of Commerce.

22 Q. Do you, of your vast experience, know that
23 was the situation?

24 A. The province?

25 Q. Yes.

26 A. The Chamber's opinion -- well, I won't say
27 it: Yes, that is right.

28 Q. Well, there isn't any difference between the
29 Chamber's views and the province's views?

30 A. There are differences in our briefs. There
are differences of opinion within the Chamber, and I



1
2 certainly would never venture to speak for the province,
3 and we would not let the province speak for us.

4 Q. On the question of equalization?

5 A. On the question of equalization particularly.

6 Q. As well as other factors?

7 A. That is right.

8 Q. Perhaps you could tell this Commission whether
9 in point of fact equalization has been of any benefit
10 to the province of Manitoba?

11 A. We are so puzzled about it that we have
12 asked the Board to try to find out. I would say that
13 equalization, as such, has not been of particular
14 benefit. This is an off-the-cuff answer. I would say
15 some of the steps taken by the railways to offset the
16 results of equalization have been of considerably more
17 value to us than equalization itself.

18 Q. But you asked for equalization: Are you
19 satisfied with what you got?

20 A. The province of Manitoba asked, and I
21 wish you would question the Manitoba witnesses and not me.

22 Q. But you distinguish between the city of
23 Winnipeg and the --

24 A. Not even the city of Winnipeg. The
25 Winnipeg Chamber of Commerce.

26 Q. You don't speak for them?

27 A. We don't even speak for them. We have some
28 very healthy differences there.

29 Q. Who do you speak for?

30 A. The Winnipeg Chamber of Commerce, which is
essentially 1500 business people in Winnipeg.



1
2 THE CHAIRMAN: This is a real democracy out
3 here.

4 MR. SMITH: I am just a country boy from the
5 maritimes.

6 Q. Now, on the question of equalization,
7 do not these excepted categories detract from the value
8 of equalization to the province of Manitoba - or, to
9 your people?

10 A. Mr. Smith, let me make my point clear: We
11 have not said that the exclusion of Nova Scotia necessar-
12 ily detracts -- pardon me, not Nova Scotia; the selected
13 territory. What we have said is that the Turgeon Com-
14 mission recommended that equalization apply to the whole
15 of Canada. These other exceptions are not at variance
16 with the recommendations of the Turgeon Commission -- the
17 ones you have listed. The one exception is the application
18 of equalization to the selected territory. This is the
19 one that affects us. We are not saying it is wrong;
20 we are asking that someone take a good look at it.

21 Q. Would you refer for the moment to the
22 Turgeon report at page 125 at paragraph 2 under the head-
23 ing "Conclusions and Recommendations" where it is stated:
24 "It is difficult to conceive of an unqualified statutory
25 ruling for equalization. Exceptions to equality must
26 necessarily be permitted in the following cases, and
27 other cases which may come to the attention of the Board
28 as the investigation proceeds." Haven't you overlooked
29 that provision?

30 A. There is no specific mention of the
31 Maritimes Freight Rates Act there. It doesn't even come



1
2 in under the heading of "other cases", because it was
3 ruled out by action of Parliament.

4 Q. Not the Maritime Freight Rates Act. It
5 was subject to the Maritime Freight Rates Act, and it
6 was in the report. What you are referring to is sub-
7 paragraph (f).

8 A. No, no.

9 Q. Well, were you familiar with the amendments
10 to the Railway Act - Section 336?

11 A. I see no mention here of a recommendation
12 from the Turgeon Commission that the Maritime Freight
13 Rates Act should be excepted from equalization.

14 Q. Do you see the provision "all statutory ---"

15 A. I haven't come across it yet.

16 Q. There is a provision there somewhere, but
17 I am not going to take the time to find it. Well, in any
18 event, the section of the Act to which you refer, as I
19 have already read, provided that it shall be subject to
20 Section 336 -- subsections 1, 2 and 3 are subject to
21 the Maritime Freight Rates Act?

22 A. We are suggesting this was put into the
23 Act in the amendment, but it was not one of the recom-
24 mendations of the Turgeon Commission.

25 Q. Well, I don't agree with you, but I won't
26 debate it with you here. There was this section here,
27 section 336, (4) (f), and it is the one which deals with
28 rates applicable to the movement of freight traffic on
29 or over lines, correctly designated as eastern lines.

30 THE CHAIRMAN: You both may be right, because
Mr. McCormick refers to the Maritime Freight Rates Act,



1
2 and you suggest it comes in under that "Special
3 Statutory Provisions".

4 MR. SMITH: Yes.

5 Q. Were you present during the hearings before
6 the right-of-way committees of the Senate and the House
7 of Commons?

8 A. No.

9 Q. Well, I won't refer to that.

10 A. This reference I find here on statutory
11 matters simply says, "It is difficult to conceive of an
12 unqualified statutory rule for equalization".

13 Q. Here I would refer you to paragraph 1,
14 "Conclusions and Recommendations" at 125.

15 A. Yes.

16 Q. "It would appear from the foregoing and
17 having regard particularly to the terms of order-in-
18 council P. C. -1483 that the broad general principle of
19 equalization throughout the country is now accepted. It
20 must be noted that the order-in-council provides that
21 this equalization shall be subject to such special
22 statutory provisions as the freight rates." When the
23 Act was originally drafted, it was made subject to the
24 Maritime Freight Rates Act?

25 A. Mr. Chairman, this becomes a legal matter
26 as to what are statutory provisions regarding the freight
27 rates act. In my book it is the whole freight rates act.

28 THE CHAIRMAN: I think, if you refer to page
29 126 of the Commission and to item No. 8, that may
30 probably help you.

MR. SMITH: Q. The section to which The



Chairman has referred is, "The Board has requested the railways to submit to them the railways' proposal for equalization of freight rates throughout Canada subject to the statutory provisions contained in section 325 of the Railway Act and to the Maritime Freight Rates Act." I think that clears up the matter.

A. Section 325 is simply the 20 per cent subsidy.

Q. No, no.

A. Is it the whole thing?

Q. No. The Crow's Nest rates.

MR. SINCLAIR: Very different from 20 per cent. One hundred per cent.

MR. SMITH: Q. May I ask you this question: Are not the excepted categories of competitive rates and agreed charges becoming increasingly of importance to the rate structure?

A. Yes.

Q. In view of all these exceptions to which I have referred, why, may I ask, is your Chamber of Commerce so gravely concerned about the maritime exception?

A. We are concerned about the effect and trying to compete. We have lost a couple of industries that might have come here because they can get a more advantageous freight rate into the Toronto market if they locate in the maritimes. This, we have suggested, is perhaps only right; perhaps it flows from the provisions of the act, that this was designed to give to the people in select territory an advantage over all other regions.



1
2 All we ask the Commission is determine whether that
3 advantage is or is not more than was intended. We
4 concede that the Act says clearly, and the people of
5 Canada want it, the maritimes to have a definite advantage
6 in reaching that central market. How far it goes is
7 what we would like looked into.

8 Q. Let me come to another topic: I refer you
9 to paragraph 27 of your submission in which you recommend
10 that any national transportation policy and the regulat-
11 ions therein should be consistent with our free enter-
12 prise system, and to this extent each mode of trans-
13 portation should be free to compete for any traffic that
14 is available. May I ask you this one specific question:
15 Do you believe that trucks, we will say, should be allowed
16 to compete with each other ratewise based on their costs
17 of operation? That is distinct from modes of transport-
18 ation; within one mode of transportation, do you believe
19 that different trucking firms should be allowed to compete
20 with the other?

21 A. I think the policy of the Chamber was
22 defined some years ago in that respect, and it was that
23 all carriers would file their tariffs but that they
24 should not -- the regulatory body should not determine
25 what the rate should be. We are talking of trucks.

26 Q. You are saying there should be no regulation
27 - only information supplied?

28 A. There should be some place for filing of
29 tariffs and they must adhere to those tariffs.

30 Q. Is your answer in the affirmative to my
question?



All we are concerned in this case is that the

system is one in which there are interests.

concede that the Act says clearly, and the people of

Canada want it, the meritless to have a definite saying

the present of the system. How can it be

was we would like looked into.

Q. Let me come to another point. I am going

to paragraph 27 of your submission in which you say

that any national transportation policy and the

that would be a system of control and

price system, and to this extent each road

operation should be free to compete for any

is available. May I ask you that one

Do you believe that trucks, we will say, should be

to compete with each other otherwise based on

of operation? That is distinct from matter of

action; within one mode of transportation, the

that different trucking firms should be allowed

with the others?

A. I think the policy of the Government

defined some years ago in that respect, and

all parties would like this system but

should not -- the regulatory body should not

what the rate should be. We are talking of

Q. You are saying there should be no restriction

-- only information supplied?

A. There should be some place for filling of

limits and they must adhere to those limits

Q. Is your answer in the affirmative?



1
2 A. It would permit price competition among
3 trucks, yes.

4 Q. If we move from trucks to railways, is it
5 your view that the C. N. R. should be allowed to compete
6 against the C. P. R. ratewise?

7 A. I would say not, because of the tradition
8 that has grown up.

9 Q. You would not?

10 A. No.

11 Q. Let me come to another paragraph, paragraph
12 60. I think you recommend that when competitive rates
13 are initiated to assist shippers to enter or remain
14 competitive in a market area, rates from other competitive
15 points should be maintained at a level which preserves
16 the geographic advantage for other shippers particularly
17 when it can be shown that prior to the imposition of the
18 competitive rate, it enjoyed a share of the common
19 market. I refer you to what was stated in your brief
20 at page 24 in which you speak of dynamic control by
21 competition in which you state that is preferred to
22 relatively static control by competition. May I ask
23 you how you reconcile the recommendations in paragraph 24
24 with the recommendation in paragraph 60?

25 A. Parliament has decided, I think, that it
26 is in the public interest, and we think it can accurately
27 be defined as public interest, that the man in the
28 intermediate point who is competing should not have the
29 railways discriminate as to who is going to remain
30 competitive at the competitive point.

Q. I suggest those two recommendations are



1
2 more or less contradictory; am I correct?

3 A. I would not say contradictory, no.

4 Q. Particularly when you refer to (c) in
5 paragraph 24. You don't want it both ways, do you?

6 A. If we could get it, yes.

7 Q. Now, at paragraph 70 of your submission
8 you refer to the protest to the Minister of the change
9 that was made in 1957?

10 A. Yes.

11 Q. Was your body the only protestant?

12 A. I don't know. We didn't solicit help from
13 anyone else.

14 Q. You were the voice crying in the wilderness?
15 You don't know of any other protestant?

16 A. No, we know of no other.

17 Q. I think in my previous questions I referred
18 to what was stated earlier and which is again stated in
19 paragraph 68 (a) of your submission: "In its recommen-
20 dations on equalization, the Turgeon Commission, at page
21 126 of its report, in every case in which it refers to
22 equalized or uniform rates, uses the phrase 'throughout
23 Canada'". I already pointed out to you that there were
24 certain exceptions even in the Turgeon report as to
25 the general application of the principle of equalization.

26 A. This gets to be a matter of interpretation
27 again.

28 Q. Well, isn't it a matter of fact and not
29 only of interpretation?

30 A. It is a matter of fact, but that they
talk about the establishment of one uniform equalized



1
2 class rate scale "throughout Canada"; mileage scales
3 "throughout Canada", and a couple of other places -
4 "throughout Canada". It does not say "with exception";
5 it says "throughout Canada".

6 Q. I pointed out to you that the Board be
7 authorized to make other exceptions.

8 A. Yes, and Parliament is free to enact any
9 legislation it likes based on the recommendations.

10 Q. And Parliament, in the amendment to the
11 Act, embodied in Section 336 so provided in subparagraph
(g) to which I already have referred.

12 A. Paragraph 4, I think.

13 Q. Paragraph (g).

14 A. Well, it is provided.

15 THE CHAIRMAN: Parliament is the final court
16 of appeal, and has spoken on that.

17 THE WITNESS: That is right, it has.

18 MR. SMITH: Q. Do you realize, Mr. McCormick,
19 that sub-paragraph (f) or sub-clause (f) of sub-section 4
20 of section 336 was intended to take care of the situation
21 which arises from the system of rate making known as
the arbitrary system?

22 A. Yes, we think you are fortunate. We lost
23 our arbitrary.

24 Q. Also Montreal got their arbitrary system?

25 A. Right.

26 Q. Are you also aware that it has been stated
27 on more than one occasion by the Board in its judgments
28 that the arbitrary system was an integral part of the
rate making process?



1
2 A. Well, I would assume so - except in
3 Manitoba.

4 Q. Yes, always "except in Manitoba". In
5 paragraph 73 of your submission, you state, " Naturally,
6 the further spread in these rates is of concern to
7 several shippers in Manitoba". May I ask who these
8 shippers are?

9 A. Well, I wouldn't want to mention them by
10 name. We have a firm in Winnipeg manufacturing furnaces
11 and selling them in Toronto against maritime competition.
12 We have candy manufacturers attempting to ship into the
13 central Canadian market. We lost an industry in the
14 last few weeks, which was a food processing industry,
15 which wanted to establish here, but after looking at the
16 freight rates, they decided to go to the maritimes.

17 Q. You could not lose it if you never had it.

18 A. Well, the man came here wanting to
19 establish here because of the proximity to his U. S.
20 plant, and in fairness to him we had to point out the
21 freight rates. Now, you are going to get that in the
22 maritimes.
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2 Q. Are those the only industries you can
3 recall?

4 A. Those are the only ones I can recall at
5 the moment, yes.

6 Q. Coming down to at least three instances -

7 A. Mr. Smith, it is not fair to say it is
8 the only three because I can only name three now.

9 Q. I mean, all you can recall. I would like
10 to cross-examine you on it. Would you excuse me for
11 a moment, sir. Now, I come to paragraphs 85 and 86 and
the appendix No. 3, I think it is.

12 A. Yes.

13 Q. But before coming to that, may I just
14 refer to section 73, and I will proceed from the passage
15 which I have just read which is the first sentence in
16 section 73, and you state here: "Perhaps this is part
17 of the price which Manitoba must pay for Confederation
18 but if that be so, we should want to be assured of it by
19 some impartial body such as your Commission after having
20 had a close look at these maritime freight rates and
21 having considered whether the advantage conferred is
22 greater than that intended by the Duncan Commission and
23 the Turageon Commission, both of which have studied
the question exhaustively."

24 Now, I just want to put a question or two to
25 you in that regard, Mr. McCormick. Is it your suggestion
26 that this Commission should be bound by the recommendations
27 of those two commissions which dealt with the maritime
28 freight case, and which have regard to changing circum-
29 stances and conditions in the last 25 years?
30



1
2 A. My understanding is, Mr. Smith, that
3 no commission is bound by any previous commission. On
4 our side the circumstances have changed, too, and at
5 the time the Maritime Freight Rate Act was passed I
6 doubt if any manufacturer in Winnipeg had any interests
7 in the markets of central Canada. Now they are trying
8 to penetrate, and this is why it has come up.

9 Q. In other words, I ask you is your
10 approach a dynamic one or a static one?

11 A. It is a dynamic one, because we have a
12 dynamic commission and hope that they take a dynamic
13 look at it.

14 Q. But you say also that it is static in the
15 sense that this must settle it for all time.

16 MR. MAURO: The witness has said, and I think
17 it is most unfair --

18 MR. SMITH: I don't think he needs the assist-
19 ance of my friend.

20 MR. MAURO: No commission is bound by the
21 findings of another.

22 THE CHAIRMAN: I think insofar as this
23 Commission is concerned, we recognize our freedom is
24 quite complete to make recommendations; however, what
25 Parliament accepts is entirely another matter.

26 MR. SMITH: Q. Now, I will ask you this
27 question, and I am referring to paragraphs 85 and 86 and
28 appendix No. 3. I don't intent to refer to appendix 6;
29 I haven't had an opportunity of either analyzing or
30 digesting it, I only got a copy fo it on Monday and I
naturally realize that an opportunity will be given to



1
2 deal with the matters which you have mentioned at the
3 Ottawa hearings.

4 A. We will not be at the Ottawa hearings.

5 Q. No, but -

6 A. Where you are free to state -

7 Q. From either agreed statements of fact or
8 otherwise?

9 A. Right.

10 Q. And nothing you can say can change that?

11 A. We will not be there to say anything, so
12 you can say what you like.

13 Q. Perhaps at this point I may just make one
14 comment; it appears to me that even on a cursory examin-
15 ation that some vital information is lacking, and I
16 would therefore ask you, Mr. McCormick, if you would
17 supply in respect to each of the movements mentioned
18 in the appendix the following additional information
19 in order that we will have an opportunity of checking
20 this. The first category which I would suggest is the
21 number of carloads; and second, the average load per
22 car; third, the average rate per 100 pounds -- am I
23 going too fast?

24 A. You are rushing me a little bit

25 Q. Fourth, the Crow rates for 100 pounds for
26 the same haul; fifth, the average revenue per ton mile
27 divided into actual and Crow rates. Now, have you got
28 that?

29 A. Do you want the rate the shipper pays or
30 the rate that the railway receives?

Q. Well, you have only given the rates that are



1
2 paid. I think, as in the other submission that was
3 filed, it shows also the contribution made under the
4 Maritime Freight Rates Act, and perhaps it would be
5 well to have both if I am not putting you or your experts
6 to too much trouble.

7 A. This is not within the facilities of the
8 Chamber, this is work which we will have to get done for
9 us, and I am quite sure that those figures are available
10 and I presume if we cannot supply them that we can call
11 on the railways.

12 Q. Well, the railways are very accommodating!
13 You have mentioned, I think, in several parts of your
14 submission that you would like to have a good look at
15 the Maritime Freight Rates Act and the maritime freight
16 situation, and may I assure you that your anxiety in
17 this respect is not limited to the client you represent,
18 but as I have already stated in my submission for the
19 province of Nova Scotia at the Halifax hearings, it is
20 the view of the province that it is essential that that
21 situation be examined, and our submission will be that
22 as the purpose and intent of the statute has been
23 largely frustrated, that a revision and restatement
24 of the Act to carry out its purpose and intent and
25 a method of keeping the Act effective to achieve such
26 purpose, should be found and applied, so perhaps we are
27 in the same boat.

28 I think that is all.

29 THE WITNESS: Mr. Chairman, may I make one
30 inquiry? In submitting these rates, which we put in as
exhibit 98, we ask that the Commission look into these



1
2 and other such rates. Now, I am not trying to pass the
3 buck, but if I am to do this work - if the Commission
4 is going to do it, is there any need for me to hire
5 people to get this information for me?

6 THE CHAIRMAN: I think you can leave it with
7 the Commission.

8 THE WITNESS: Thank you, sir.

9 THE CHAIRMAN: Mr. Hume?

10 CROSS-EXAMINATION BY MR. HUME:

11 Q. Mr. McCormick, I represent the Canadian
12 Trucking Association, and I have nothing to quarrel with
13 in your brief, but I simply want to ask you a few
14 questions. On page 5, if you will look at section 22,
15 I am afraid that in the quick reading I gave this last
16 night that it is not very clear what you mean when you
17 speak about, "it would appear to us that these regulatory
18 powers" - speaking of the powers of the Board of
19 Transport Commissioners - "have been used by the Board
20 of Transport Commissioners more to protect the railways
21 from the full force of competition than to provide the
22 most economic means of transportation."

23 A. Without going into a long explanation, I
24 would refer you to a case which the Board of Transport
25 Commissioners heard here in Winnipeg with regard to
26 the through water and rail rates, and it was our submission
27 that at times it looked to us as though the Board of
28 Transport Commissioners was giving gratuitous increases
29 to the water carriers, which lessened the full powers
30 of competition within the water business. This was the



1
2 substance of our submission, and I will say in explanation
3 that the Board threw it out, but that is what is behind
4 it.

5 Q. That is what you had reference to?

6 A. Yes.

7 Q. Now, if you will look at page 7, section 27,
8 you summarize your recommendation as to the national
9 transportation policy, and to this you say,
10 "Each mode of transportation should be free to compete
11 for any traffic that is available." Now, do I recall, sir,
12 having the pleasure of questioning you at the time of the
13 agreed charges in Winnipeg about 1955; were you the witness
14 for the Chamber of Commerce when Mr. Justice Turgeon
15 was here?

16 A. I may have been.

17 Q. My recollection is that your Chamber, and
18 do I correctly assume that your Chamber, is opposed to
19 agreed charges in that they tie a certain amount of freight
20 to a particular means of transportation?

21 A. The Chamber has never admitted that, because
22 it has taken the stand - I think we said at the time,
23 and I am quite sure of this, that we were somewhat
24 concerned about agreed charges and the result. We took
25 the stand that this was a contract freely negotiated
26 between two partners, and therefore it was a contract.

27 Q. What do you mean then, sir? Is it to
28 this extent, that each mode of transportation should be
29 free to compete for any traffic?

30 A. There should be no regulations, there should
be no legislation that keeps them from competing. If the



1
2 carrier and the shipper by agreement - if I agree to truck
3 everything for a particular shipper, then, that is an
4 agreement between the two of us, and obviously I don't
5 think any legislation should force us to let anyone else
6 in between the contract.

7 Q. You can assist the Commission and certainly
8 me if you will indicate whether in the province of
9 Manitoba, - I understand that you have regulations and
10 rate regulations - is there any regulation that would
11 prevent a highway carrier from making an agreement with
12 a shipper that he would ship all his freight with him;
13 have you ever heard of any such agreement?

14 A. I haven't heard of it.

15 Q. Then, in Ottawa we had some discussion in
16 connection with the hearing on the Crow rates, and after
17 this proposal of the railways with respect to payments
18 for grain, and I ask you if you would be good enough to
19 assist me in this, that if in fact some recommendation
20 is made and implemented providing for a payment, is it
21 the view of the Chambers of Commerce that that should
22 to the railways as it is under the Maritime Freight Rates
23 Act, or should it be to the shipper to permit him to
24 select his own mode of transportation.

25 A. I speak for only one Chamber, the Winnipeg
26 Chamber of Commerce. I say that if flows from the
27 recommendation that the money would be paid to the railway
28 for the maintenance of track and facilities, not for
29 moving the commodity.

30 Q. But I put it to you that if, as a result
of the entire inquiry, this Commission recommends that



1
2 there be paid a subsidy to pay for the movement of grain,
3 if that comes about, would it be your view or do you
4 have a policy as to whether that should be paid to the
5 railways or should it be paid so that the shipper can
6 then pick his own mode of transportation?

7 A. We have no policy. In some other cases we
8 have come close to it, and this is not a policy of the
9 Chamber, but I simply am talking about discussions that
10 have gone on. I think possibly there would be some
11 favouring of the opinion that a subsidy should be paid
12 directly to anyone who benefits, rather than its being
13 paid indirectly. Now, if you were going to pay it direct
14 to the farmer at the farm, this would follow, but if
15 you were going to pay it to the railways to help the
16 farmer - I don't think it makes any difference if you
17 pay it to the railways and take something off the rate,
18 or pay it to the railways and they apply it against the
19 cost of operation; the effect of the rate structure is
20 pretty much the same, isn't it?

21 Q. Yes, but it may have an effect, Mr. McCormick,
22 I suggest, on other means of transportation.

23 A. It may have, but I say there is no policy
24 determined in this Winnipeg Chamber of Commerce as to
25 which way it should be.

26 Q. My last question arises out of something
27 that you said to my learned friend, Mr. Smith; you agreed
28 with him that the for-hire trucks should be free to
29 compete with each other, and I wanted to get it straight.
30 As I understand it, in this province you don't merely
31 have the filing of the terms, you do have truck regulations?



1
2 A. Yes, this province has full load regul-
3 ations.

4 Q. Thank you very much.

5 THE CHAIRMAN: Mr. Sinclair?

6 MR. SINCLAIR: Mr. Macdougall is going to ex-
7 amine. How long to you intend to sit?

8 THE CHAIRMAN: We will go until a quarter to
9 one.

10 CROSS-EXAMINATION BY MR. MACDOUGALL:

11 Q. Mr. McCormick, I would like to say first
12 of all that I should compliment you on the excellence
13 of your brief and the tremendous amount of work which
14 you have undertaken, obviously, to prepare this document,
15 and in asking a few questions of you I would like to say
16 that if I had more time to examine this brief in more
17 detail, I am sure that my questioning would be, perhaps,
18 a little more apparent and perhaps a little more search-
19 ing, but it contains a great deal of information, and
20 my questions will be directed to issues which I have been
21 able to look at in the short time I have been able to
22 look at it.

23 Now, on page 9, Mr. McCormick, you are there
24 dealing with joint through rates, and in paragraph 38
25 you make the suggestion sir, that the use of joint
26 through rates should be extended to water and truck and
27 rail and truck shipments, as well as shipments involving
28 other modes of transportation.

29 Now, as you are aware, the sections of the
30 Railway Act - Sections 341 to 346 - deal with the question



1
2 of joint through rates, and they refer specifically to
3 rail and water.

4 A. Yes.

5 Q. And is it your suggestion that the Act should
6 be amended?

7 A. I would think not at this point, I don't
8 think --

9 Q. You have not got my point. If the Act
10 should be amended, should it be to provide that when
11 joint through rates are made, they should be able to be
12 made through the various modes of transportation, so that
13 if a shipper wished to ship by truck and water or truck
14 and rail or air and truck, he would have the facility
15 to do so?

16 A. I think our feeling would be there should
17 be no legislation that stands in the way.

18 Q. It should be permitted? Now, page 14 you
19 comment there in paragraph 55 on the present switching
20 rules and the charges, and I would just make this comment
21 and I would ask you to agree that the problem of inter-
22 changing and switching rates, which was set down by the
23 Board of Transport Commissioners' order No. 252 which
24 was made in 1918 - obviously this is a matter for the
25 Board of Transport Commissioners to handle, and your
26 suggestion is that it should be looked at in the light
27 of modern conditions and possibly amended?

28 A. The conditions have changed so tremendously,
29 and at that time the stations were eight miles apart and
30 allowing a four-mile interchange you had practically free
switching across the country, but now, assuming things



1
2 have changed --

3 Q. You think it should be looked at again?

4 A. Yes. I would hope that the Commission
5 might so recommend.

6 Q. I think that the railways probably would be
7 glad to join in that, because we think there is a great
8 deal of merit in looking at the interchanging order, and
9 the Board of Transport Commissioners are the authority
10 for that.

11 A. Yes.

12 Q. Now, on page 22, Mr. McCormick, are the
13 totals set out in paragraph 78, and you are dealing there
14 with the comparison of western grain car loadings to the
15 railway net revenue?

16 A. Yes.

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2 Q. You draw from that table the conclusion
3 which I believe you stated on page 23, paragraph 81,
4 that in the years when over 300,000 cars are handled
5 that the railways nets are considerably better than those
6 years under 300,000 cars.

7 Now, I would just direct your attention for
8 a moment to the year 1950. In 1950, your table, in
9 paragraph 78 shows that the total net revenue is
10 ninety-seven odd million dollars, and the car loadings
11 were two hundred and forty thousand. In the following
12 year, 1951, the car loadings in the last column moved
13 up by over 100,000 cars, 347,000 cars. But the net
14 revenue dropped from ninety-seven million to seventy-one
15 million, which indicates that possibly the rule does
16 not apply everywhere.

17 Again, if you compare the 1951 figure, which
18 I just quoted, to those of 1956, you see there that the
19 car loadings stayed relatively static; 1951 being
20 347,000; and 1956, 356,000. Whereas, from a revenue
21 point of view, revenues went from 71 million to 112
22 million.

23 A. There were a number of rate increases
24 during this time that had quite an effect up
25 and down. We have tried and we concede we tried to
26 generalize on the period.

27 Q. Your point is that you are just generaliz-
28 ing and averaging the situation. I just point out,
29 when you look at a couple of specific years, it doesn't
30 always follow?

A. It doesn't particularly, in a year.



1
2 Q. Now, there is one small point on paragraph
3 82, the last sentence in the paragraph on page 24.

4 A. Yes.

5 Q. Your reference there in the second last
6 line to one cent per car mile. Should that not be
7 per ton mile?

8 A. Yes, you are right. Thank you for the
9 correction. "Ton mile".

10 Q. Paragraph 86?

11 A. Yes.

12 Q. I think that has been covered by
13 Mr. Smith. He has asked you for some information on
14 that.

15 A. Which we are now leaving with the
16 Commission.

17 Q. Pardon, sir?

18 A. Which we are now leaving with the
19 Commission.

20 Q. Page 27, paragraph 92?

21 A. Yes.

22 Q. The recommendation there is that if any
23 changes are to be made in the Crow's Nest Pass rates,
24 the new rates should be based on the criteria laid
25 down by Parliament in section 336 of the Railway Act
26 and in accordance with the general application of these
27 criteria by the Board of Transport Commissioners for
28 Canada. Can you tell me what that means? I am puzzled
29 by that.

30 A. Well, actually, the section 36 -- for
instance, in section 2 A, that orders the railways to



1
2 establish a uniform scale of mileage class rates.
3 Technically, we haven't got a scale of mileage class
4 rates; we have a scale of point to point rates based
5 on mileage. I am advised by our transportation people
6 that that is the effect. What we are suggesting is
7 that the way in which this section has been applied
8 in other ways -- in other words, basically rates should
9 be related to mileage.

10 Q. What you are saying is instead of having
11 the Crow's Nest rates which are based historically on
12 certain point to point rates, you should have a scale
13 of Crow's Nest rates based on mileage?

14 A. I would say mileage blocks. You see, the
15 Crow's Nest Pass rates were based actually on sub-
16 divisions, because they were roughly 8 cents terminal
17 cost plus 2 cents a subdivision.

18 Q. Yes?

19 A. Which, perhaps, reflects the fact that at
20 the subdivision the engine had to be taken off and
21 put back on.

22 Q. What you are saying, then, is, entirely
23 apart from the question of subsidies, that the scale
24 of grain rates should be provided to move Crow's Nest
25 grain traffic?

26 A. Yes, right.

27 Q. On page 29, Mr. McCormick, and in the
28 pages just previous to that, you are talking about the
29 problems of passenger service and branch line service.
30 And in paragraph 101, you make this statement, which I
think you explained to someone earlier, that the railways,



1
2 "rarely have the railways sought abandonment before
3 operating costs were roughly something of the order of
4 three times operating revenue".

5 And do I understand your explanation of your
6 source for that statement is that you have looked it
7 --

8 A. Just in looking at some of the applications.
9 I am not suggesting that this is a rule-of-thumb or
10 any standard way which the railways operate.

11 Q. Don't you think that to draw this
12 conclusion, perhaps, from that, that in those cases,
13 at least, the railways felt that before they were pre-
14 pared to meet what they knew was the position that
15 problem would arise from such a proposal of abandon-
16 ment, that the case had to be an overwhelming one?

17 A. I would assume -

18 Q. Rather than taking a case where the
19 revenues and expenses were not too far apart, they
20 concluded that they should take those cases where there
21 was a clear disparity between revenues and expenses.

22 A. That would follow, I think.

23 Q. I think perhaps that you would agree
24 that is an indication that the railways have not
25 attempted and today do not attempt to just abandon
26 lines as soon as they see that they perhaps appear to be
27 unproductive; that they come forward and they can see
28 clearly that there is a wide margin between revenue and
29 expense and no hope of the line paying its way?

30 A. I think that follows.

31 Q. Now, perhaps you would go this far with
32 me: That today perhaps that situation can change some-



1
2 what, and in view of the factors we have been talking
3 about before this Commission, of the difficulties
4 which the railways are faced with, that they should
5 perhaps come forward a little earlier, and they should
6 be encouraged, perhaps, to come forward at a time
7 when the disparity between revenues and expenses is
8 such that the variable costs of operation are not
9 being met, and that there is no reasonable apparent
10 prospect that the variable costs will be obtained from
11 the operation of the branch. Would you agree with
12 that?

13 THE CHAIRMAN: I think we will recess for
14 lunch.

15 THE WITNESS: May I answer that question
16 first?

17 THE CHAIRMAN: Certainly.

18 THE WITNESS: I will just say that with all
19 the "perhapses" you have put in, I would be inclined to
20 agree.

21 ---Luncheon recess.
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2 ---On resuming at 2.00 p.m.

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4 MR. MACDOUGALL: Q. Mr. McCormick, at page 32,
5 paragraph 112, you make this statement: "Withdrawal
6 from an enterprise that does not succeed and that loses
7 money is a normal course of action and usually is taken
8 for granted as falling within the rights of management.
9 As far as the railways are concerned, even when the
10 railways can show that losses on a particular service
11 are inevitable, and that other means of transportation
12 are available, they still may not be granted permission
13 to abandon it."

14 Do I take it from that that you agree that when
15 these conditions do exist that are spoken of here -
16 the losses are inevitable and the other means of trans-
17 portation available - that, generally speaking, would
18 you agree the railways should be allowed to abandon?

19 A. Provided the general public welfare is
20 met. We recognize that in entering the service certain
21 obligations are assumed and certain vested rights built
22 up. Providing there is no hardship, within what the
23 Board considers reasonable and fair.

24 Q. Perhaps you would agree with this point:
25 That if there is an over-riding public or national
26 interest, as it may be defined by some body that would
27 say, "Well, despite these losses it should be maintained,"
28 then that should occur?

29 A. Right.

30 Q. And if that national interest is not there
and there is an alternative service available, then the



1
2 railway should have the right to get rid of the deficit
3 service?

4 A. I would have used the term "public interest"
5 rather than "national interest".

6 Q. Well, we will not try to define them?

7 A. No.

8 Q. Would you agree also that in those circum-
9 stances where these applications would be put before the
10 Board that those who would be proposing it was either
11 in the national interest or that the alternate services
12 were not available, and, therefore, the service should
13 be retained, should have the onus of proving that?

14 A. Oh, I don't know.

15 THE CHAIRMAN: You mean they would be the
16 plaintiff in the action.

17 MR. MACDOUGALL: Q. Yes.

18 A. The people who take the action -- I think
19 it would be up to the railways who initiate the action.

20 Q. Once that is done and the other party comes
21 forward and says they should not be abandoned --

22 A. My feeling is that they would present
23 evidence and it would be up to whoever judges the case.

24 Q. But there is a burden, usually on one party,
25 and I suggest the railways' burden is to come forward and
26 say there are losses in certain cases and there are al-
27 ternate services available, and it is up to somebody
28 else to say ---

29 A. That there is some public interest at stake?

30 Q. Yes.

A. Provided they have had adequate opportunity



1
2 and notice to do it.

3 Q. Do you not think also it may be helpful
4 to the public if the obligations of the railroad and the
5 rights of the public were to be spelled out a little
6 more clearly so everybody can see -- perhaps in the
7 statutes?

8 A. I suppose it might be helpful.

9 Q. Would you agree with Mr. Parker who
10 yesterday said he thought a more favourable climate
11 for dealing with these problems should be created, and
12 that might be done by making it a little clearer on the
13 statute books to everybody concerned that the railways'
14 obligations in 1960 were of a certain nature and the
15 public's obligations were of a certain nature?

16 A. I think that some clarification would be
17 helpful provided we don't get into a whole mess of
18 regulations and orders.

19 Q. My point is that today in many instances
20 the public feel there is no question that the railroad
21 must provide the service whether or not they lose money:
22 I am suggesting that condition today does not exist,
23 and the railways' obligation is to provide service
24 provided it can pay for itself, subject to the national
25 interest?

26 A. I am not sure what obligations the railway
27 took on when it went into a field and opened a branch
28 line. I think there is an obligation to provide service
29 until given permission by the Board to abandon it, and
30 it must prove there are reasons for abandoning it and
31 that any public obligation has been met first.



1
2 Q. I think the railways' obligation is to
3 provide the service as long as it can support itself
4 and the public need it, and where the point comes that
5 it cannot support itself, then the onus is on somebody
6 else?

7 A. I would say it should be up for review and
8 study. I am not going to say who the onus should be on.

9 Q. You told one of my learned friends that
10 in respect of these abandonment applications, or
11 applications for changes in train service, that your
12 Chamber neither supported the application nor did they
13 object to it: Did you not think there might be some
14 great merit to the people of this part of the world
15 if you were to support the railway in its endeavour to
16 get rid of a service and get rid of the losses you
17 have spoken of?

18 A. In the case of particular obligations?

19 Q. Yes.

20 A. This has been suggested in the council of
21 the Chamber, that it should be considered; but, it has
22 gone no further than that.

23 Q. On page 32, paragraph 113, you are talking
24 here about the pattern of control which surrounds rail-
25 roads, and you say, "...where controls are the general
26 rule and freedom is the limited exception, provides a
27 strong contrast to our belief, registered in our earlier
28 comments on transportation policy, that 'control by
29 regulations should be kept to a minimum and should be
30 exercised only when there is a clear need to protect
31 some accurately defined public interest.'"



1
2 I understand from your comment there that
3 subject to important problems such as safety and protec-
4 tion of the public interest, discrimination and things
5 of that kind, that you feel that controls upon the
6 railways' operations should be reduced to a minimum?

7 A. Yes, this is a general suggestion. We
8 haven't examined in detail the regulations that exist,
9 but there is a general feeling that there is a terrific
10 amount of regulation, and some of it has been in
11 existence for a long time and should be examined with a
12 view to either eliminating it or cutting it down.

13 Q. In that connection, in paragraph 110, on
14 the previous page, you refer to special items which
15 you show as being what might be considered unnecessary
16 regulations?

17 A. I would say this was designed to show the
18 extent of the detail to which the regulation went.

19 Q. And perhaps you would agree with me that
20 the time might be ripe when the legislation controlling
21 railways might be systematically reviewed not perhaps
22 by this Commission but by some qualified body set up by
23 the federal government to bring it up to date and
24 eliminate the unnecessary regulations and make it a
25 more workable thing for government railway operations?

26 A. I would agree with you.

27 MR. BALCH: Do you mean to over-rule the
28 Board of Transport Commissioners?

29 THE WITNESS: Oh, no. The Board of Transport
30 Commissioners is an administrative agency; it carries
out the Act, but the Act can be reviewed. We are



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2 suggesting perhaps it is time there was a comprehensive
3 review of the act by Parliament or some agency. It is
4 not a matter of over-ruling the Board. It is a matter
5 of reviewing the terms under which the Board acts.

6 THE CHAIRMAN: The powers of the Board?

7 THE WITNESS: Yes, and give some direction to
8 the Board, and may suggest some new avenues.

9 MR. MACDOUGALL: Q. I think in that connection
10 your phrase at the bottom of paragraph 116 is perhaps
11 descriptive of what you have in mind: "The Railway Act
12 and the regulations flowing therefrom are still based
13 on the philosophy of that period and certainly there is
14 room for considerable up-dating and streamlining".

15 A. That is right.

16 Q. At paragraph 134, page 37, you there are
17 referring to the incentive rates, and your comment is:
18 "That the present practice of incentive loading should
19 be extended by developing a system of incentive rates
20 for heavier loading of railway cars by shippers."

21 I suggest to you, for the record, that the
22 present practice of the railways in western Canada, and
23 indeed throughout the whole of Canada, is that they
24 now have incentive rates, and they are having more all
25 the time, throughout the country of the type you are
26 referring to?

27 A. Some, yes. We are suggesting the thing
28 may well be done by a comprehensive rule which in some
29 way related the decrease in the rates to the amount by
30 which you exceeded the minimum carload.

31 Q. Yes, I think that is the principle, and



1
2 you are probably aware that the first incentive rates
3 put in in Canada were put in in western Canada?

4 A. Yes. We have this in groceries which
5 move at one rate for 20,000 pounds, and if they load
6 it to 30,000 pounds they move at a lower rate. We
7 think it could be done by a general rule.

8 Q. Your suggestion is there should be much
9 wider use of this incentive loading?

10 A. Yes, it would lead to a more efficient
11 use of the box cars, and in the case we mention they
12 could have saved a haul of some 27 cars.

13 Q. One last question, at page 40 of your
14 brief, paragraph 148, where you state in regard to
15 equalization, "That it study whether, and to what extent
16 equalization has contributed to the solution of Canada's
17 transportation problems." Do I take it from that that
18 you are not sure whether equalization is a good thing
19 or a bad thing?

20 A. We are not sure whether the results have
21 been good. We are concerned about this flow of traffic
22 out of class rates into special rates. We know a
23 measure of that - I don't know how much - was caused by
24 competition. We believe some of it was caused by the
25 fact that the class rates were such that on particular
26 hauls they would not move the traffic.

27 Q. We have had the problem in Canada for many
28 years of competition coming in and undermining the class
29 rates?

30 A. Yes.

Q. And you can't blame them too much for that



1
2 -- that is a natural process in competition?

3 A. What we are suggesting is, and I suggest
4 it is no more than a suspicion or thought or belief,
5 that some of this movement away from class rates has
6 been caused by the very structure of the class rates.

7 Q. And you have a doubt that equalization is
8 really a benefit for the people?

9 A. Well, there have been benefits but we are
10 finding now difficulties when we get down to commodity
11 rates in applying the equalization yardstick applied
12 to class rates. The yardsticks may be a little bit
13 wrong.

14 Q. The commodity rates certainly impose an
15 extreme difficulty in trying to impose equalization
16 mile for mile, don't they?

17 A. They do. Our observation would be that
18 no branch line gets built these days unless it is built
19 to move a commodity, and this is the basic traffic,
20 and if your equalization yardsticks don't apply in
21 the case of commodity traffic, maybe you should take
22 a look at the yardsticks rather than say, "We have
23 decided them on the class rates which are high value for
24 a very little proportion of the total." There may be
25 nothing wrong; we see some of the difficulty in applying
26 these yardsticks, or whatever they are, to commodity
27 rates.

28 Q. And it is probably reasonable to think that
29 the competitive forces which are the natural forces
30 which deal with transportation costs in Canada are perhaps
as good a form of control as we might expect to have of



1
2 the type of rates we have?

3 A. On the level of rates?

4 Q. Yes?

5 A. I think so.

6 CROSS-EXAMINATION BY MR. SINCLAIR:

7
8 Q. Mr. McCormick, I know by the work you have
9 put in on this brief that it deserves most careful
10 attention. Unfortunately, I have not had time to give
11 it that close attention and it may well be that
12 Canadian Pacific will deal with parts of this brief by
13 way of introducing evidence concerning some of the
14 matters that are raised here.

15 THE CHAIRMAN: I think you would expect that.

16 THE WITNESS: We would. We would hope for it,
17 Mr. Chairman.

18 MR. SINCLAIR: Q. My friend, Mr. Dickson,
19 skirting around a legal question, put to you that there
20 was a body of opinion in your Chamber that the Crow's
21 Nest pass agreement was still in existence, and your
22 answer to him, as I noted it, was that that was right.
23 In answering in that way did you mean to convey that
24 there was also some opinion in your Chamber to the
25 opposite?

26 A. I would say this, Mr. Sinclair, that in
27 the discussions in the council of the Chamber the matter
28 was referred to by two of the legal men who sit on that
29 council saying that this was a debatable point - a
30 debatable legal point. Probably I should not say
"debatable". It was on which legal opinion was divided.



1
2 This does not say the other existed. There are some
3 people who felt as was suggested, and expressed that
4 opinion. On the other hand, the brief was approved
5 with some amendments in the way in which it was written.
6 We are rarely unanimous.

7 Q. You would not expect to be unanimous?

8 A. We would not want to be.

9 Q. You would not expect to be unanimous
10 on such a matter as that raised with you by Mr. Dickson?

11 A. Not where there is opportunity for other
12 opinions, no.

13 Q. Mr. Smith asked you if you knew of any
14 protest other than your own concerning government action
15 which resulted in a change in the subsidy percentage
16 under the Maritime Freight Rates Act with respect to
17 certain shipments. That was in 1957. I think you said
18 that you didn't know of any?

19 A. Not on that specific point. I know of
20 other protests at various times to the government over
21 making changes in an act by virtue of including an item
22 in the budget, but on that specific point I know of no
23 other.

24 Q. In regard to freight rates, it is very
25 clear, I think you will agree, that it is extremely
26 difficult indeed -- it may be better expressed as being
27 "impossible", to determine what protests were made
28 by whom before certain government action is taken in
29 regard to freight rates?

30 A. Yes.

Q. In regard to incentive rates, was the



1
2 view of your Chamber that incentive rates should be
3 made by general application, as I take it?

4 A. Let me say this: There are certain
5 incentive rates which are from one place to another.
6 We have been talking about incentive loading, which is
7 perhaps just a little different. We are suggesting a
8 general rule applying to encourage heavier loading of
9 box cars. Do I draw that distinction, Mr. Sinclair?

10 Q. Yes. If you have incentive loading rates,
11 this can be a disadvantage to the smaller shipper?

12 A. It could be. It could be certainly of more
13 advantage to the big shipper.

14 Q. And if incentive loading was made by
15 general application, many small shippers might very well
16 be disturbed?

17 A. This would be an extension of the difference
18 as between l.c.l. and car load rates. It depends on
19 where you draw the line between small and big shippers.

20 Q. In regard to the method: I think you
21 answered some questions in that regard to my friend
22 Mr. Smith. Would you agree that any decrease in rates
23 by percentage would keep the cents per 100 pounds
24 reduction in relationship to length of haul?

25 A. Yes.

26 Q. When rates are decreased by a fixed
27 number of cents per 100 pounds, it is to the advantage
28 of the short haul shipper and to the disadvantage of
29 the long haul shipper?

30 A. Right.

Q. And if there is any compromise between the



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two methods, what is happening is a disturbance of the
existing taper in the scale?

A. Yes.



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2 Q. I have spoken to you about decreases in
3 rates. Of course, the same principles apply with respect
4 to increases in rates? You are nodding your head?

5 A. Yes. I am sorry.

6 Q. Mr. Macdougall asked you a few questions
7 on your page 22; do you have that before you?

8 A. Yes.

9 Q. Now, you used Canadian National net
10 operating revenue and Canadian Pacific net earnings to
11 arrive at total net, as you call it.

12 A. Yes.

13 Q. Now, Canadian Pacific net earnings are
14 after equipment rents, joint facility rents, taxes
15 and including income tax; you recognize that?

16 A. Yes.

17 Q. But the Canadian National figures are
18 before these expenses?

19 A. Yes.

20 Q. So that changes in the income tax rate
21 in any of those years could affect the result?

22 A. Changes could.

23 Q. And changes in wage rates, particularly
24 retroactive wage increases could affect the result of
25 both Canadian National and Canadian Pacific.

26 A. Yes.

27 Q. In spite of these disabilities,
28 Mr. Macdougall has pointed out that in 1948 to 1949 the
29 number of cars of grain increased and the net revenue
30 is shown in the table as a decrease. Now, you point
out on the other hand, that from 1949 to 1950, while



1
2 there was an important decrease in cars of grain, the
3 net revenue showed a substantial increase. Did you
4 point that out?

5 A. Yes.

6 Q. And in 1951 grain increased and net
7 revenue increased as compared with the previous year,
8 and the same was true with respect to 1952 and 1953?

9 A. Yes.

10 Q. Basically, Mr. McCormick, there are so
11 many factors involved in the determination of revenues
12 and expenses, particularly unusual factors applicable
13 to the Canadian Pacific net, particularly income tax,
14 that it is a very difficult thing and you might very
15 easily be misled by making comparisons such as this.

16 A. It could. We drew that simply as an
17 indication of a period. We could extend the explan-
18 ation.

19 THE CHAIRMAN: There is no intention to mislead?

20 THE WITNESS: No.

21 MR. SINCLAIR: I said that you could very
22 easily be misled, I am not suggesting the Commission is
23 being misled or that Mr. McCormick intended that to
24 result. It is a kind of a little bit of calculation
25 that sometimes is used by some outstanding newspapers
26 in western Canada; have you ever seen it in any of
27 those newspapers out here?

28 A. I know that one newspaper did use those
29 figures after we had produced them.

30 Q. Well, they used them before you produced
31 them, didn't they? You are thinking of the Free Press ?



1
2 A. I don't say that we borrowed them from
3 anyone; those certainly were not borrowed from any
4 newspaper.

5 Q. Now, you made the comparison on page 24
6 of the Crow's Nest rates with livestock rates. You
7 would agree, of course, that the variable cost figure
8 that you used, .74 cents per ton mile for the handling
9 of grain to export positions, is an average resulting
10 from the entire movement of the grain in western Canada
to export positions?

11 A. Yes, that is what we have considered it
12 to be. It is on that basis that we worked this out.

13 Q. And you know that the average revenue
14 per ton mile for that traffic is about .5 cents per
15 ton mile? That was in the same material.

16 A. Yes.

17 Q. And you also know that grain, under the
18 Board's waybill analysis that you were using, I take
it, that it is about 54 tons to the car?

19 A. Yes.

20 Q. But for livestock it is less than 12
21 tons per car?

22 A. Yes, that is the point.

23 Q. And that on the per car mile basis, grain
24 on your calculations would be about 27 cents per car
mile?

25 A. Grain would be worked out at 40.64.

26 Q. Per car mile?

27 A. Yes, per car mile.

28 Q. For how many miles?
29
30



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2 A. .74 cents a ton mile, and 54.92 tons per
3 car.

4 Q. 54.1 is my figure. Well, in any event,
5 you will agree, Mr. McCormick, that the car mileages
6 and the comparison of car mileages are ones that only tell
7 part of the story?

8 A. They do tell part of the story.

9 Q. They tell part of the story only?

10 A. Yes.

11 Q. And that you wouldn't suggest that freight
12 rates be fixed on the basis of car miles earnings, do you?

13 A. No.

14 Q. And that a test of a just and reasonable rate
15 is not found by considering car mileages?

16 A. Not of the rates, but it is a good indication
17 of revenue.

18 Q. Now, on page 34, Mr. McCormick, you on
19 behalf of the Chamber had something to bring to the
20 attention of this Commission concerning labour matters,
21 the working conditions on the railway. There are, for
22 example, in the printing trades, working conditions that
23 result in substantial amounts of what is sometimes referred
24 to as featherbedding?

25 A. It is possible; I am not aware of it.

26 Q. Have you ever had the advantage, Mr. McCor-
27 mick, of seeing the Canadian Broadcasting Commission
28 putting on a production?

29 A. Yes.

30 Q. You have had that advantage?

A. Yes.



1
2 Q. Would you, from watching that performance
3 being performed, and getting ready to perform the perform-
4 ance and seeing the way that people work around there,
5 would you think there would be anything that could be
6 described as featherbedding around that type of an
7 operation?

8 THE CHAIRMAN: Well, I think, Mr. Sinclair,
9 we have enough to worry about without the C. B. C.

10 MR. SINCLAIR: My point is this, sir, and
11 I think it may be about time that it was brought to the
12 attention of the Commission; that there is a lot said
13 about featherbedding on the railways and we are the last
14 to say that there doesn't exist in any industry some ways
15 where improvements cannot be brought about. The sugges-
16 tion that the railways are leading the parade in this
17 featherbedding situation in Canada is certainly wrong,
18 and it was with that in mind that I was directing certain
19 questions to the witness.

20 THE CHAIRMAN: You have said your statement.

21 MR. SINCLAIR: I would also like to go one
22 step further with the witness.

23 Q. You made reference, Mr. McCormick, to the
24 situation and based on certain facts in the United States.
25 Now, the situation in Canada in this regard, that is,
26 the work rules, they are substantially different than
27 those which exist in the United States in many important
28 particulars, did you know that?

29 A. No, we were not aware of it. We knew you
30 were operating in many cases with the same unions, the
31 same unions on an international basis.



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2 Q. But you do know, Mr. McCormick, that we
3 dealt with that in Canada?

4 A. Right.

5 Q. And in accordance with the Canadian
6 appraisals of the situation as they exist in this country?

7 A. That is right.

8 THE CHAIRMAN: And your statement for the
9 record is that there is a great deal of difference in
10 the United States?

11 MR. SINCLAIR: That is right.

12 THE CHAIRMAN: Your statement is that the rules
13 are very different in the States in this regard?

14 MR. SINCLAIR: Yes.

15 THE CHAIRMAN: And lend themselves more to
16 what is known as featherbedding.

17 MR. SINCLAIR: Q. My first point is this, sir,
18 that this suggestion that the railways led the parade --

19 A. There was no suggestion to that extent.

20 Q. That that is wrong, and secondly, that
21 there are marked changes and differences between the
22 working rules on the railways in the United States and
23 those that exist in Canada; those two areas.

24 THE CHAIRMAN: You can just leave it at that.

25 MR. SINCLAIR: Thank you, Mr. McCormick.

26 THE WITNESS: Mr. Sinclair, may I make just one
27 correction in the statement of net earnings which we
28 applied to the C. P. R. We took it from here, which we
29 took to be the difference between railway revenue and
30 railway expenses on page 36 and 37 of the 1958 annual
report.



1
2 THE CHAIRMAN: The report of the railway?

3 THE WITNESS: Yes, sir, the Canadian Pacific
4 annual report for 1958, pages 36 and 37.

5 MR. SINCLAIR: Q. You did what?

6 A. The figure we used is the difference
7 between the column "Railway Revenue" and the column
8 "Railway Expense" which gives a figure of net earnings.

9 Q. Yes, but my point, Mr. McCormick, so that
10 you may understand it, that in respect of Canadian
11 Pacific when these figures are used it is clear --

12 A. We didn't think it included income tax.

13 Q. But it is very clear that it does?

14 A. Yes.

15 Q. And it also includes joint facility rent
16 and hire equipment. There is a marked difference
17 between that figure and the one that you have used for
18 Canadian National.

19 THE CHAIRMAN: Any questions, Mr. Mauro?

20 RE-DIRECT EXAMINATION BY MR. MAURO:

21 Q. I just have one item which I want to touch
22 on. Mr. McCormick, you mentioned that the Winnipeg
23 Chamber of Commerce was not in favour of other assets
24 or other income being brought into the situation of the
25 general income and the rail requirements formula, etc.

26 A. Yes.

27 Q. But you do say that in the case of the Crow's
28 Nest investigation, that the Commission should take a
29 comprehensive look at everything received by the C. P.R.
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2 A. Which flows from the agreement.

3 Q. And it is this agreement that makes a
4 group of honourable business men, such as the Winnipeg
5 Chamber of Commerce, make a recommendation such as that?

6 A. Yes.

7 Q. And if there was another agreement under
8 which obligations were created and consideration flowed,
9 a group of honourable business men such as the Winnipeg
10 Chamber of Commerce would similarly apply that principle
11 with regard to this action in considering other assets
12 and earnings, and you would want to take a look at that
13 agreement and see what the railways received, and if
14 they came to the conclusion that they had received certain
15 valuable considerations, that they would treat that in
16 the same manner in which the Winnipeg Chamber of Commerce

--

17 A. If it flowed from the agreement.

18 MR. SINCLAIR: I am sorry, but I didn't know
19 that my friend was going to ask some questions about a
20 matter like that, and with the Commission's pleasure
21 I would like to now ask Mr. McCormick some questions
22 arising out of the questions of my friend.

23 THE CHAIRMAN: All right.

24 RECROSS-EXAMINATION BY MR. SINCLAIR:

25 Q. Mr. McCormick, in regard to the Crow's
26 Nest agreement, I suggest to you that the reason
27 your brief said that they looked at the advantages --

28 A. At the things that flow from the agreement.
29
30



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2 Q. The things that flow from the agreement,
3 was because that agreement provided for certain rate
4 reduction?

5 A. That is right.

6 Q. And any other agreements that didn't have
7 such a situation would be materially different, and
8 that would be why you wouldn't take the same position?

9 A. That would depend on the agreement. I
10 don't want to get into that.

11 Q. But you have nothing in your brief to
12 indicate that the Chamber had considered this issue
13 about any other thing?

14 A. No.

15 Q. So, when you gave that answer you were -
16 when you gave that answer to my friend Mr. Mauro -
17 you were not trying to say that that was a policy of
18 the Chamber?

19 A. No.

20 Q. It was at most a personal opinion?

21 A. It would be a personal opinion and the
22 extension of the policy.

23 Q. Even though there would be differences,
24 it would be an extension?

25 A. I said that the agreement would have to
26 be examined before the Chamber could express an opinion.

27 Q. And on the second issue of another agree-
28 ment, they haven't?

29 A. No.

30 Q. Thank you.

THE CHAIRMAN: Thank you, Mr. McCormick.



1
2 You have made a very valuable contribution, and we
3 thank you and the Chamber.

4 THE WITNESS: Thank you, sir.

5 THE CHAIRMAN: There may be some questions
6 from the members of the Commission. Mr. Balch?

7 CROSS-EXAMINATION BY MR. BALCH:

8 Q. I just have a couple of questions,
9 Mr. McCormick. In paragraph 110 you say, "Virtually
10 everything pertaining to the physical characteristics
11 of any new rail line is subject to the approval of
12 the regulatory authorities. Stations, locomotives
13 and rolling stock, maintenance of locomotives and
14 equipment" etc. Do you suggest there that the safety
15 regulations should be relaxed?

16 A. I am suggesting they should be reviewed;
17 I am not sure that any regulations necessarily should
18 be relaxed, but I think there is room for taking a
19 look at all the regulations.

20 Q. Now, at paragraph 111 you say, "There is
21 a code of rules covering detailed operating procedures
22 for train movements," and are you referring to the
23 operating rules when you mention that?

24 A. Yes.

25 Q. And you think that they should be
26 relaxed?

27 A. No. What we have done here, Mr. Balch,
28 and I am sorry if there is an inference there, but
29 what we are trying to do is suggest that in practically
30 every field of activity there is something set down in



1
2 a regulation as to how they should do it, so what
3 we have said is simply that we haven't suggested
4 anything should be relaxed, but we suggest a careful
5 review be made of the multiplicity of the regulations
6 with a view to streamlining them and leave the railways
7 with time for other things.

8 MR. BALCH: Well, I think the Canadian Pacific
9 is doing the same thing in streamlining their rates.

10 THE WITNESS: We are glad to hear it.

11 MR. BALCH: But they have to be kept up for
12 the sake of the public.

13 Now, another question is the increase in
14 productivity. You say in paragraph 117 to realize
15 the full economies from these vast capital outlays to
16 modernize the railway system, there must be a corres-
17 ponding increase in productivity. Over the years
18 do you know or do you not know that the increase of
19 the railways in productivity has grown enormously.

20 THE WITNESS: We know there has been an
21 increase, Mr. Balch; what we ask is some assurance
22 that there shouldn't be more. I think that is all we
23 ask. We are not sure.

24 MR. BALCH: I think that the railway manage-
25 ment is looking after that at the present time fairly
26 well. That is all, thank you.
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2 COMMISSIONER GOBEIL: I have a few questions
3 about those aspects brought up by Mr. Brazier. First,
4 I would like to point out to you paragraph (a). You
5 know, when you mention Manitoba, after a few days here
6 I feel I am also a St. Boniface boy.

7 THE WITNESS: As a citizen of St. Boniface,
8 Mr. Gobeil, I am pleased to hear that.

9 COMMISSIONER GOBEIL: Thank you.

10 Mr. McCormick, you were questioned by
11 Mr. Brazier this morning in connection with those rates
12 from Montreal to Vancouver; you know? I don't mean
13 to defend Montreal, because I am speaking as a westerner,
14 but you said that the railways were at liberty to
15 establish competitive rates if they wanted, and you
16 maintained, too, I think, if I am right, that if they
17 established competitive rates you should put it all
18 for Montreal to Vancouver -- that they should have
19 been at intermediate points?

20 THE WITNESS: Something on the same basis
21 should be available at intermediate points if people are
22 competing.

23 COMMISSIONER GOBEIL: Yes. If the railways
24 had decided not to apply those competitive rates, what
25 do you think would have happened?

26 THE WITNESS: They might have lost the business
27 out of Montreal.

28 COMMISSIONER GOBEIL: Montreal would have had
29 the same rate, anyhow?

30 THE WITNESS: Lower rates; lower service.



1
2 Thirty-five days as against six or seven.

3 COMMISSIONER GOBEIL: And Winnipeg would have
4 been placed on the market the same?

5 THE WITNESS: It might have been.

6 COMMISSIONER GOBEIL: As a result of that --

7 THE WITNESS: It is not -- I am sorry that
8 we probably gave you the example of Montreal and Van-
9 couver. Perhaps it is a good thing we did, but the
10 principle that we are trying to get at is the discrimin-
11 ation against the intermediate shipper by the way in
12 which the railway meets the competition, putting in a
competitive rate.

13 COMMISSIONER GOBEIL: Would you know of any
14 firm which has been hampered from moving from Winnipeg due
15 to those competitive rates?

16 THE WITNESS: Not for those reasons, that I
17 know of, no.

18 COMMISSIONER GOBEIL: And as a result of the
19 competitive rates, do you know of any agreed charge which
20 has been made from Winnipeg to Vancouver?

21 THE WITNESS: There have been some fixed
22 charges, I think, put in on the basis of some of these,
which flows from the agreed charge.

23 COMMISSIONER GOBEIL: I was wondering if it
24 was possible that -- you call that captive traffic, I
25 believe -- I assume this railroad wants to keep it
26 captive, but they do not want to kill it, apparently; but,
27 there might have been an agreed charge as a result of
this?

28 THE WITNESS: There have been some.
29
30



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2 COMMISSIONER GOBEIL: Thank you, sir.

3 COMMISSIONER ANSCOMB: In your recommendation
4 91 at 139, which you have just been talking about with
5 my learned friends down there, there seems to me just
6 a little conflict of principle likely. But I do not
7 want to discuss that with you at the moment.

8 Let us assume that there was not very much
9 of a controversy in any compensation in grants and such
10 like. It is the view of the Winnipeg Chamber of Commerce
11 that the railway, as a railway, should stand on its own
12 feet?

13 THE WITNESS: Right.

14 COMMISSIONER ANSCOMB: Thank you.

15 COMMISSIONER MANN: Mr. McCormick, first of all,
16 may I say I think we are all very much indebted to the
17 Chamber of Commerce for what is an extremely provocative
18 brief, and I use that word "provocative" in the best
19 meaning of that term.

20 You discussed with Commissioner Gobeil the
21 question of competitive rates and the position of inter-
22 mediate points.

23 In your opinion, would there be any assistance
24 given to intermediate points if the one and one-third
25 rule were applied to agreed charges and competitive rates?

26 THE WITNESS: This is a snap answer, Mr. Mann,
27 without too much knowledge. I don't know. My first
28 impression would be that it would not matter very much.
29 Now, I say that, as I say, without too much knowledge
30 and certainly with no precise knowledge.

31 COMMISSIONER MANN: The reason I ask that



1
2 question, Mr. McCormick, was because in paragraph 4
3 of your submission you state that for Alberta substantial
4 benefits have flowed from the introduction of the one
5 and one-third rule?

6 THE WITNESS: That didn't help Manitoba at
7 all.

8 COMMISSIONER MANN: Did it help Alberta?

9 THE WITNESS: We think so. I know of one case
10 where it helped British Columbia, and I know of one
11 distributor here who has had to open an office in
12 Vancouver in order to serve Alberta.

13 COMMISSIONER MANN: Mr. Frawley who, as you
14 know, represents Alberta --

15 THE WITNESS: We have missed him here today.

16 COMMISSIONER MANN: We certainly do miss
17 him. He referred to the one and one-third rule only
18 two months ago as a dead duck. I wonder whether you
19 agreed with that?

20 THE WITNESS: I don't know. We would be happy
21 if it were, perhaps.

22 What Mr. Frawley was pointing out was that
23 agreed charges have lessened the impact of the one and
24 one-third rule. It is not the one and one-third, but
25 the agreed charges that flowed from it.

26 COMMISSIONER MANN: I was wondering if you
27 could tell us whether, in your opinion, the principle
28 of the one and one-third rule applied to agreed charges
29 and competitive rates would be helpful at intermediate
30 points in meeting the problems you have set out?

THE WITNESS: I don't think so, but, as I say,



1
2 I say that without too much knowledge.

3 COMMISSIONER MANN: On page 5 you have
4 a recommendation with regard to development of a
5 clear and comprehensive national policy. We have had
6 an extremely interesting suggestion from the province
7 of Manitoba, which is rather similar in principle to
8 this, and the province went a little further and sug-
9 gested, without committing itself, a certain mechanism
10 by which this could be brought out. You are familiar
11 with the provincial submission?

12 THE WITNESS: Yes.

13 COMMISSIONER MANN: Would you think that a
14 creation of a body such as contemplated even roughly
15 by the province would be helpful in bringing about
16 what you have in mind?

17 THE WITNESS: Mr. Mann, I heard the brief
18 submitted by the province. My impression of it --
19 and this was just from listening -- that this was
20 probably going to be a sort of bureau of research in
21 transportation economics.

22 COMMISSIONER MANN: Well, from my understanding

23 --

24 THE WITNESS: Maybe I am wrong in this. This
25 was the line of thought that I pursued when I heard it:
26 If there is going to be a research body set up to do
27 this, the two might well be put together. But, you
28 have that condition before you start that someone has
29 got to determine some kind of an over-all policy for
30 transportation in this country, we feel; and that is
the function and the job of government -- to lay down



1
2 some sort of policy. It can seek what advice it
3 wants; it can set up what people it wants to study and
4 advise it; but, basically, we say there is at the
5 minute no comprehensive philosophy of transportation
6 that governs the operation of these bureaux and
7 departments and so on.

8 COMMISSIONER MANN: It would be your hope,
9 or the hope of the Chamber, that this Commission would
10 be able to develop some suggestions for such a compre-
11 hensive policy?

12 THE WITNESS: It would be my hope that
13 it might start in that way. It might find that it
14 needs something to be done by some other body, or
15 in some other way. I would hope by this Commission's
16 sittings that we would start to get some sort of a
17 declaration of a national transportation policy.

18 COMMISSIONER MANN: On page 11 of your
19 submission, and particularly in paragraph 45, you have
20 a recommendation that the principle of Canadian
21 Freight Association Tariff No. 6 should be applied to
22 cover the whole of Canada. Have you ever taken this
23 up with the railways?

24 THE WITNESS: We did. We did, at the time
25 the tariff was issued. We suggested that the allocation
26 of a similar tariff to cover western Canada was dis-
27 crimination. And their reply was, in substance, that
28 there was not enough inter-line movement in Canada to
29 justify publication of a point to point tariff. And I
30 am not sure I would want to suggest all the work
involved in setting up a point to point tariff to cover



1
2 all the points in Canada. We suggest that is not
3 necessary. We think the thing can be done by a
4 comprehensive rule, without getting into this rule of
5 a point to point tariff.

6 COMMISSIONER MANN: Just one more question,
7 Mr. McCormick. On page 29, paragraph 101, you deal
8 with branch lines, and you state at the end of the
9 paragraph:

10 "Naturally, there usually is opposition in
11 the areas served and the Board of Trans-
12 port Commissioners in applying the law,
13 have made it difficult to abandon services,
14 once they are instituted."

15 Could you give us an indication of how
16 often the railways have been turned down in the last
17 two years on abandonment applications? Have they
18 been rather more successful or less successful?

19 THE WITNESS: On abandonment of services --
20 I don't know the score on abandonment of branch lines
21 -- but, on abandonment of services in this region, they
22 have been -- I hazard a guess, without too much detail
23 -- but, I have the impression they have been, on the
24 whole, a little more successful than less successful
25 lately.

26 THE CHAIRMAN: Mr. Mauro?

27 MR. MAURO: The next submission is on behalf
28 of the Manitoba Federation of Agriculture,
29 Mr. S. E. Ransom and Mr. Robert Moffat.

30 MOFFAT, Mr. Robert, called.



SUBMISSION OF MANITOBA FEDERATION OF AGRICULTURE.

MR. MOFFAT: Mr. Chairman, with your permission, we propose to divide the reading of this brief.

Mr. Ransom, the president of the Manitoba Federation of Agriculture, will commence to read it, and I will take over from him after we get started a few pages.

I wonder if, before we begin, we could have some indication when you propose to break for recess.

THE CHAIRMAN: Very shortly. It is almost 2.55. How long will Mr. Ransom be on?

MR. MOFFAT: He is only going to read the first few pages.

THE CHAIRMAN: Maybe we can break then.

MR. MOFFAT: Yes.

RANSOM, S. E., called.

MR. RANSOM: Gentlemen, the order-in-council creating your Commission states that you are appointed:

"to inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof, and to recommend solutions thereto".

The Manitoba Federation of Agriculture welcomes such an inquiry and is pleased to make this submission to you. Few, if any, questions are more fundamental to the welfare of Manitoba farmers than the provisions of adequate transportation facilities at reasonable cost. Located as Manitoba is at the geographic centre of Canada we are dependent upon longer overland movement of our goods than almost any other area in the world.



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2 Because of the specialized nature of Manitoba's
3 farm resources and the long distances from major manu-
4 facturing centers we move our outbound products and our
5 inbound supplies over distances that are equalled by
6 few other areas. The great national railway systems of
7 Canada were created for the express purpose of bringing
8 about large scale settlement in western Canada and this
9 could only be done if transportation facilities were
10 available for moving prairie agricultural products to
11 world markets and for bringing in farm equipment,
12 farm supplies and the personal and household needs of
13 farm families. From the point of view of Manitoba
14 agriculture the fundamental point is that Manitoba
15 farms cannot exist without rail transport but the total
16 cost of rail transport to Manitoba farms must be kept
17 as low as possible consistent with continued operation
18 of an acceptable standard of service.

19 For this reason we welcome your inquiry into
20 "the problems relating to railway transportation".
21 We are pleased to see that it is directed toward the
22 whole of railway operations and that no one part has
23 been singled out for special attention to the exclusion
24 of other features.

25 The Manitoba Federation of Agriculture:
26 Before presenting our views on the subject of your inquiry
27 we believe it is proper that we provide you with a
28 statement of the extent of our membership and the method
29 by which the opinions of our members are determined and
30 expressed.

The Manitoba Federation of Agriculture, as its



1
2 name implies, is a federation of agricultural groups in
3 Manitoba. Its board of directors is made up of seven
4 members elected by the annual meetings of individual
5 farmer members in the seven districts of the province,
6 together with one representative of the women's groups
7 associated with the federation, one representative from
8 the youth groups associated with the federation, one
9 member from Manitoba Pool Elevators, one member from
10 the United Grain Growers Limited and two members from the
11 other farmer controlled producer co-operatives in the
12 province.

13 The federation is a long established
14 association of farmers and farm controlled associations
15 which seeks to represent farmers and farm families in
16 all parts of the province. In 1958, a new organization
17 known as the Co-Operative Union of Manitoba was organized
18 and took on the function of representing the co-operatives
19 of Manitoba in matters which are peculiar to co-operative
20 organizations. Formerly, the Manitoba Federation of
21 Agriculture and Co-Operation had performed both
22 functions.

23 Our membership through individual farm units
24 and corporate memberships represents over 35,500 agric-
25 ultural producers in this province.

26 The aims and purposes of the federation are:

27 (a) to promote the social, economic, physical
28 and cultural well being of the people of rural Manitoba;

29 (b) to represent its members before govern-
30 mental and other authoritative bodies;

(c) to assist in formulating and promoting



1
2 provincial, national, and international agricultural
3 policies to meet changing regional, national and inter-
4 national conditions, and for that purpose to affiliate
5 with appropriate organizations having similar objects;

6 (d) to develop and promote an understanding of
7 the position of agriculture in the economy of Canada;

8 (e) to encourage and develop wherever possible
9 programs of mutual assistance and self-help.

10 Historical Concern over Transportation: From
11 the very beginnings of agriculture in Manitoba the cost
12 of transportation has been a primary concern. The
13 earliest farm organizations had as one of their prime
14 objectives the securing of rail service and this was
15 quickly transformed into the protecting of farmers
16 against exorbitant rail charges. It was early recog-
17 nized that bargaining between the farmer and the railway
18 was a completely one-sided affair unless the weight of
19 government could be brought in on the side of the
20 farmer. Hence legislation was sought from both the
21 federal and provincial governments. In fact, it can be
22 claimed that one of the most effective instruments in
23 securing the legislation creating the Board of Transport
24 Commissioners was the demand of the western farmers that
25 some new and more adequate machinery be established to
26 protect against the monopoly position of the railways.

27 In the field of provincial legislation the
28 Manitoba agreement of 1901 was entered into by the
29 government of Manitoba for the specific purpose of
30 breaking the monopoly held by the C. P. R. over the move-
ment of agricultural produce and farm supplies.



1
2 Since those early encounters with the railways
3 the farmers of Manitoba have always been in the fore-
4 front of those who seek a "better deal" in railway
5 services and railway rates.

6 Basis of this Continuing Concern: The reason
7 for this strong and persistent concern over railway
8 services and rates has been stated many times but
9 repetition is well justified at this, the first hearing
10 by your Commission in western Canada.

11 The main agricultural products of Manitoba are
12 wheat, coarse grains, beef, pork, butter, eggs and
13 poultry. For all of these Manitoba is a substantial
14 exporter. Our farmers produce considerably more of these
15 items than can be consumed by the 850,000 persons who
16 live in Manitoba. The surpluses of all these products
17 seek markets in the large cities of eastern Canada,
18 eastern United States or Great Britain. In every case
19 the marketing mechanism is such that the Manitoba
20 producer tends to receive the price in the consuming
21 market less the cost of delivering the item to that
22 market. Consequently, our farmers are convinced that any
23 rise in transportation costs for these items is reflected
24 directly in the amount deducted from the market price to
25 set the net return to the producer. The most clear-cut
26 example is grain where the price is specified as a price
27 delivered at the Lakehead and the price at each shipping
28 point is the Lakehead price less ten cents or twelve
29 cents or whatever is the freight rate per bushel to the
30 Lakehead. Similarly, the price for butter at a Manitoba
creamery is typically the Montreal price less the



1
2 shipping cost to Montreal.

3 Although the actual movement may be only a
4 fraction of the total output, nevertheless, the price
5 in Manitoba can never be sustained above the price for
6 outward shipments. Hence a rise of one cent per pound
7 in the cost of shipping butter to Montreal tends to mean
8 that the margin below Montreal becomes one cent greater
9 in Manitoba not only for outward shipments but for all
10 butter produced whether for Manitoba consumption or for
outside shipment.

11 On the other hand, the commodities which
12 Manitoba farmers buy are handled by an entirely different
13 market structure. Farm machinery, canned and packaged
14 foodstuffs, clothing, household equipment, automobiles
15 and the like are all sold at a factory price plus
16 shipping costs. No manufacturer will continue to supply
17 an area which does not yield him a satisfactory net
18 return at the factory. If shipping costs increase, the
19 price to the farmer buyer in Manitoba will go up in
proportion.

20 Hence, Manitoba farmers bear the main burden
21 of freight charges between Manitoba and eastern Canada
22 both on eastbound farm products and on westbound sup-
23 plies. Similarly they tend to bear the main burden of
24 freight charges on lumber, fruit and other supplies brought
in from west of the mountains.

25 This market structure has been a permanent
26 feature of prairie farming since the beginning of
27 settlement and is a firm basis for the continuing concern
28 of farmers and farm leaders with respect to railway
29
30



services and charges.

The result is that Manitoba farmers direct their main attention to the total cost of transportation services - the sum of inbound and outbound charges. In some parts of Canada the charge for one particular commodity or group of commodities may be of paramount importance. To Manitoba farmers it is of little benefit to have low rates for one commodity and high rates for another when both must be paid in any case. Similarly, Manitoba farmers know that any inquiry which is to claim thoroughness must look at the complete rate structure and not at one isolated part. Whether this or that commodity is, or is not, paying its proper share may be an interesting exercise in the finer points of cost accounting but the real question is whether in total the farmers of Manitoba are paying more than is necessary to maintain a satisfactory standard of railway service.

--- Short recess.



1
2 Scope of the Inquiry: We are aware that the
3 railways have asserted that the primary issue before
4 your Commission is to decide upon their proposals in
5 respect to the Crow's Nest pass rate on grain. We are
6 pleased that you have resisted the request for a prem-
7 ature interim report on this isolated segment of the
8 problem and have indicated that you propose to deal with
9 the full range of matters referred to you.

10 It is, however, important to stress the broad
11 terms of reference under which you act. The order-in-
12 council specifying your duties instructs you to

13 "inquire into and report upon the problems
14 relating to railway transportation in
15 Canada and the causes thereof".

16 It then proceeds to direct you to
17 "recommend solutions thereto".

18 In other words, you are directed to deal with
19 "the problems relating to railway transportation". It
20 is our contention that this embraces all problems relat-
21 ing to railway transportation and that you cannot per-
22 form your function if you allow anyone to lead you into
23 dealing with one isolated segment.

24 As is customary in inquiries of this type, the
25 broad range of your instructions is then amplified by
26 an enumeration of particular facets of the problem
27 which you are to consider and report upon. This partic-
28 ularization covers five groups of subjects and in each
29 group there are a number of features which are important
30 to one or more areas or groups of people in Canada.

 On behalf of the farmers of Manitoba, we wish



1
2 to draw to your attention a number of features of
3 Canadian railway transportation which we consider unsatis-
4 factory and which merit your careful attention.

5 Standard and Efficiency of Service: In the
6 introductory sections of this brief we emphasized the
7 importance of transportation and especially rail trans-
8 portation to Manitoba agriculture. An unavoidable result
9 of that importance is that Manitoba farmers have a
10 large stake in the standard and efficiency of the rail
11 service. If the standard is too low, our goods are not
12 moved with the speed and convenience necessary to meet
13 modern marketing conditions. If the standard is too
14 high, we may be called upon to pay for expensive items
15 which are not required. For example, a standard of track
16 maintenance required for high speed passenger trains
17 may be completely unnecessary for the movement of large
18 volumes of heavy tonnage goods such as grain, coal,
19 lumber and the like. Consequently, we think it is import-
20 ant that you examine carefully the operation of the
21 Canadian railways to see if they are offering a standard
22 of service that adequately meets the needs of modern
23 business but it is equally important that you examine
24 their operations to see if they are charging the people
25 of Canada for elaborate and costly items which could
26 be adequately provided by a less costly method.

27 Related to the matter of service standards
28 is the matter of efficiency of operation. The outside
29 observer looking at railway operations cannot fail to
30 see many practices which appear to be inefficient use
of either labour or equipment. The outside observer



1
2 is, however, not able to judge whether apparent
3 inefficiencies are such in fact or whether there is good
4 reason for what is being done. We are not in a position
5 in this brief to provide evidence of inefficient or waste-
6 ful use of railway labour or equipment. We do, however,
7 think that your Commission and the railroads should
8 be gravely concerned with the growing public dissatis-
9 faction with the apparent lack of effort to eliminate
10 wasteful and inefficient practices in the use of
11 labour and equipment.

12 Item (c) of your terms of reference instruct
13 you to consider and report upon "the possibilities of
14 achieving more economical and efficient railway trans-
15 portation." In our view, this is the number one
16 issue. If our farmer members were convinced that railway
17 labour and equipment was fully utilized at all times in
18 providing necessary transportation service in an effie-
19 cient manner, they would not object to paying the cost of
20 adequate wages and an adequate return to those who pro-
21 vide the capital. But our members are not convinced
22 that railway operations are fully efficient, nor are they
23 convinced that adequate efforts are being made in that
24 direction.

25 As mentioned above, we are not in a position
26 to specify exact items of inefficiency in this brief.
27 By way of illustration, we would point to station agents
28 drawing full salary at points where passenger, express,
29 livestock and telegraph business is almost completely
30 lost to the railways and where full carload lots of
31 grain are the only significant outbound shipments and



1
2 and little beyond coal and lumber is received. Freight
3 tonnages through such a station may be quite large
4 but there is no need for a full-time agent to handle
5 the small amount of office work involved. Another
6 illustration lies in the field of operating rules
7 where we understand that at the speed of modern trains
8 it is possible for a railway crew to complete in three
9 or four hours the mileage necessary to qualify for a
10 full day's pay. Without any knowledge of details,
11 we suggest that with modern diesel locomotives it should
12 be possible to re-arrange schedules so that locomotive
13 and crew both work a full schedule and so that crews
14 would travel longer distances each day and earn
15 higher wages per day while at the same time reducing
16 the cost per mile travelled.

17 These are merely illustrations of some
18 of the points where, to our members, there appears to
19 be room for substantial improvement in the efficiency
20 of railway operations.

21 Passenger Losses: It has for many years been
22 an accepted fact that both Canadian railway systems
23 are incurring substantial losses on their passenger
24 operations. Again our members are in no position to
25 know the details but it appears to them that part of
26 the difficulty lies in the expensive type of service
27 provided which involves a numerous staff to handle
28 tickets and provide luxury services with the result that
29 the ordinary traveller prefers to pay the lower fares
30 charged by buses where one man drives the bus, looks
after tickets and luggage and is fully responsible for



1
2 for the entire operation of the vehicle.

3 Another part of the difficulty is the large
4 numbers of persons travelling on passes and receiving
5 full passenger services without paying normal rates.
6 The result is that the full cost of passenger services
7 must be charged against revenue from paying passengers.

8 Our major concern with passenger losses is,
9 however, not the fact that losses are incurred. If
10 railway management wishes to maintain a type of operation
11 which provides transportation to employees and other
12 non-paying passengers at a loss and which in total
13 results in annual losses of several millions of dollars,
14 then there is no justification for the charging of
15 those losses against the captive freight traffic
16 which has no alternative but to move by rail. If, on
17 the other hand, railway management wishes to drop
18 unprofitable passenger movements and is required to
19 continue them because of government regulation, then
20 we think it proper that the losses involved should be
21 met out of public revenue and not out of charges on
22 other parts of the rail operation.

23 Expressed in a single sentence, our position
24 on passenger losses is that they should be eliminated if
25 possible, but if the passenger services continue to lose
26 money because of railway management decisions, the losses
27 should not be charged against freight revenues, while
28 if government regulation prevents management from
29 eliminating costly services, then the resulting losses
30 should be met by government.

Commuter Services: Special significance



1
2 attaches to one part of the passenger services provided
3 by Canadian railways, namely, the commuter service pro-
4 vided to persons working in downtown Montreal or
5 Toronto, and living in one of the outlying suburbs.
6 The railways claim they have been losing money on the
7 commuter service but the users of it have opposed either
8 abandonment or a rate increase. Consequently, the
9 service is being continued at rates which the railways
10 claim to be continuing losses.

11 This is clearly a service to a large city
12 which has grown too large for its street transportation
13 system and has not provided the necessary extensions.
14 In this case, it is clear that the service should
15 either be terminated or the community served should be
16 called upon to pay the full cost either by higher fares
17 or by a payment from the cities and municipalities served.
18 No part of the cost of commuter service should be charged
19 against the users of other railway facilities or against
20 the national treasury.

21 Branch Line Losses: Our position in respect
22 to unprofitable branch lines is similar to our position
23 on passenger services.

24 Again we have neither the information nor the
25 staff to analyze the situation in detail, but in
26 general principle our members are aware that certain
27 branch lines are failing to pay the cost of operating
28 them with the result that losses on those branches are
29 being charged against earnings on other lines. A
30 precise calculation of the profits or losses on any
particular line is, of course, impossible, because the



1
2 the heavily used lines are in many cases moving traffic
3 which originates and terminates on lightly used
4 branch lines. If the branch line was dropped and
5 that traffic disappeared, the effect on the main line
6 might be disastrous. Considerations of this sort make
7 branch line accounting very uncertain.

8 Nevertheless, in principle our members hold
9 the view that any branch line which is clearly unable
10 to pay the cost of its operation should be eliminated
11 from the calculation of rates for normal railway
12 operations. We believe that in some cases there might
13 be abandonment of superfluous lines, but that this
14 should be done over a period of years after public hear-
15 ing and notice and there should be co-operative arrange-
16 ments between the railway and the municipalities and
17 province to co-ordinate the construction of new roads
18 with the new patterns of freight movement. Similarly,
19 elevator companies and others owning facilities on the
20 line to be abandoned should have a proper chance to
21 re-arrange their organizations to cut down, so far as
22 possible, the dislocation and cost of changing to a
23 new location on an alternative rail connection.

24 If steps in this direction are not taken by
25 the railway, we think there should be no charging of
26 branch line losses against traffic moving on other
27 lines. On the other hand, if the railway applies to
28 abandon a line and establishes that the line is losing
29 money, then they should either be allowed to abandon
30 the line or the loss should be covered out of public
revenue. We do not consider it proper that losses under



1
2 these circumstances should be charged against the users
3 of lines which are normally self-supporting.

4 Regional Equality: For many years western
5 Canada in general and Manitoba in particular was forced
6 to pay to the railways standard mileage rates and
7 distributing rates on general merchandise which were
8 higher than the corresponding rates in eastern Canada.
9 This has now been eliminated and a single mileage
10 scale has been applied over the whole of Canada.

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2 Our members appreciate this recognition of
3 the principle of equality between the different
4 regions of Canada for movements of like commodities
5 under like circumstances. Unfortunately, this
6 principle of equality for the maximum or ceiling rates
7 has not been applied to the great variety of lower rates
8 which have been introduced by the railways for competitive
9 and other reasons.

10 These lower rates move the great bulk of the
11 traffic particularly in central Canada and we think
12 that your Commission should examine these with care to
13 see that they are truly meeting the tests specified in
14 the Railway Act, namely, that they are necessary to
15 meet competition and that the revenue to the railways
16 from them is at least equal to the costs of providing
17 the service.

18 On this subject again, our organization has
19 neither the information nor the staff to analyze the
20 details, but we express the concern of our members that
21 western Canada is being called upon to pay unreasonably
22 high rates in order that the railways can offer unreason-
23 ably low rates in central Canada.

24 In this connection, we wish to point to one
25 matter which tends to be overlooked in discussions of
26 regional differences in railway operations. In the past
27 fifteen years great strides have been made in improving
28 the long distance movement of freight trains. Heavier
29 locomotives, larger freight cars, less servicing of
30 diesels, block signals; all these have made for a
more efficient long haul movement and have been set



1 against the higher cost of labour, equipment and
2 materials. But in terminals and switching and in the
3 movement of trains and freight in the larger urban
4 centres the new techniques have been less dramatic.
5 Consequently, it appears to be established that cost
6 increases on line-haul long distance movements have been
7 relatively less than on short-haul movements into and
8 out of large city terminals.

9 This fact has been recognized in the United
10 States where freight rate increases authorized in the
11 eastern region including the large eastern cities have
12 been somewhat greater than the increases authorized for
13 the western long haul regions.

14 Our members, therefore, ask that your Commission
15 look into this subject. If you are convinced that
16 increased railway operating costs have been offset less
17 effectively in large terminal yards than in long distance
18 line-haul movements then you should recommend an end to
19 rate increases based upon a uniform percentage and should
20 recommend instead a new structure of rates which charges
21 a larger amount against movements into and out of large
22 urban centres where the high costs are incurred.

23 Another regional difference is, we think,
24 important, namely, the difference between operating costs
25 on the Manitoba prairies and in the mountain and rock
26 formations of other provinces. Manitoba terrain is on
27 the whole quite flat and both construction costs and
28 operating costs are relatively cheap per mile of track.
29 The contrast between eastbound movements from Manitoba and
30 westbound movements from Alberta is especially sharp.



1 If Manitoba is to pay for its geographic position far
2 from water and competitive transportation, we think it
3 only right that Manitoba should have its geographic
4 advantage and its rates should reflect the almost ideal
5 railway operating terrain.

6 Co-Operation between the Railway Companies:

7 While supporting the proposition that competition between
8 carriers is the most effective instrument for protecting
9 against unreasonably high rates, our members cannot close
10 their eyes to the fact that in some instances the two
11 large railway companies appear to be engaged in wasteful
12 competition between themselves. In some cases this takes
13 the form of apparent duplication of lines. In some cases
14 it takes the form of retaining two station agents in a
15 rural town where neither is fully occupied. In some cases
16 it takes the form of two passenger trains running between
17 the same two cities at approximately the same hour every
18 day.

19 We are not in a position to evaluate such
20 items, but we suggest them as points worthy of your study
21 and as part of a general inquiry as to savings which
22 might be achieved by more complete co-operation between
23 the two companies where that would be to the advantage
24 of the companies and the users of the service. Our
25 members would like to see this study carried to the
26 point where it would also consider the advantages and
27 disadvantages to the users if both lines were taken over
28 and operated by the federal government.

29 Particular Commodities: This brief has, up
30 to this point, dealt with general principles and with
31 matters relating to the general structure of freight rates



1
2 charged against Manitoba farmers. We wish now to turn
3 to a number of specific commodities which are important
4 in this area.

5 1. Livestock and Livestock Products: The
6 tariffs charged by the railways and the slow and awkward
7 service provided by them have driven almost all livestock
8 movements to the trucks. The proportion of Manitoba
9 livestock moved by rail is very small and is declining
every year as truckers steadily expand their service.

10 In the case of livestock products moving to
11 eastern Canada from the packing plants in Manitoba, the
12 rate structure has passed through an interesting
13 history. Our farmers have always been concerned that
14 rates from Winnipeg to eastern Canada on meats should be
15 as low as possible because the prices of live cattle and
16 hogs in Manitoba follow closely the prices of meat in
17 Toronto and Montreal, less shipping charges. For many
18 years the controlling factor was the rail rate for meat
19 in refrigerator cars. But with the introduction of
20 refrigerated trucks, a large part of the movement was
21 lost to the railways with the result that livestock
22 prices in Manitoba began to have a smaller discount under
23 eastern prices, the reduction in discount being a ref-
24 lection of the cheaper shipping charges by truck. Finally
25 the railways recognized the situation and by agreed
26 charge contracts succeeded in recapturing much of the
27 business but at rates much lower than they had originally
28 demanded. Consequently, this area has directly benefited
29 from the truck movement which forced lower rates from
30 the railways.



1
2 Furthermore, this history of the meat rates,
3 and the similar history of the butter rates, clearly
4 demonstrates the ability and the willingness of the railways
5 to accept much lower rates than those which they will
6 charge if they are allowed to operate without competition.

7 Our members, therefore, feel that their best
8 protection in respect to these rates is the constant
9 threat of truck competition. They therefore ask
10 that your Commission take care to see that the railways
11 are not allowed to destroy truck competition either by
12 buying it up or by securing regulatory legislation
13 designed to hamper its full competitive potential.

14 Our members also feel that your Commission
15 should remember this situation whenever the railways
16 claim that they must have a higher rate to remain in
17 business. In the case of livestock they have a high rate
18 and they are out of business. In the case of meat they
19 had a high rate and they lost the business until they
20 brought in a new much lower rate with which they seem to
21 be satisfied.

22 2. Lumber: One of the most important commod-
23 ities received by Manitoba farmers by rail is lumber.
24 This is a commodity upon which we pay the mill price in
25 British Columbia plus shipping charges and local
26 suppliers in northern Manitoba or Alberta tend to price
27 their product at a level competitive with British
28 Columbia.

29 For some reason related to competition with
30 United States lines, the Canadian railways have estab-
lished a rate from British Columbia to Winnipeg which is



1
2 less than the rate from British Columbia to points west
3 of Winnipeg. In other words, this is not merely a
4 situation where the final few miles of the haul are
5 provided free. The fact is that the railways actually
6 move lumber through points like McGregor and Portage
7 la Prairie into Winnipeg for less money than would have
8 been charged if the car had been dropped many miles short
9 of its destination. Furthermore, we are informed that
10 the rate to Winnipeg is itself quite high relative to the
11 rate to Toronto or other Ontario centers.

12 Here again the Federation has neither the
13 staff nor information to offer a full analysis, but we
14 draw to your attention the need for some corrective
15 action. This is clearly one of the inequities in the
16 freight rate structure which bears with particular weight
17 upon the farming communities of western Manitoba.

18 Grain Rates: The most important commodity
19 rate for Manitoba agriculture is, of course, the rate on
20 grain eastbound. The price realized by the Manitoba
21 farmer for his grain is the price in store at Fort
22 William or Port Arthur less the cost of shipping the grain
23 to the elevators at those centers. Consequently, any
24 increase in those shipping costs will come directly out
25 of the pockets of the grain producer.

26 Furthermore, our members realize that up to
27 the present there is no other method of long distance
28 movement of grain in huge quantities which can effect-
29 ively compete with the railways. Consequently on this,
30 their most important product, our farmers are completely
at the mercy of the railways unless the assistance of



1
2 public authority can be enlisted to prevent the railways
3 from exploiting to the full their monopoly position.

4 It is for this reason that farmers and farm
5 organizations have vigorously opposed any suggestion that
6 grain rates should be increased. In the case of grain
7 for domestic consumption within western Canada, the
8 Board of Transport Commissioners began some years ago
9 to allow substantial increases and in spite of strong
10 opposition, that rate schedule has been raised on several
11 occasions. Our members continue to oppose this policy
12 and maintain that there has been no demonstrated need
13 for an increase in any grain rates.

14 Grain for shipment to the Lakehead is covered
15 by Section 328 (6) of the Railway Act which directs
16 that rates under the Crow's Nest Pass agreement shall
17 apply on grain and flour moving from points west of Fort
18 William to Fort William or Port Arthur. The effect is
19 that these rates cannot be changed except by act of the
20 Parliament of Canada. Our members have consistently taken
21 the position that these rates on grain for export are so
22 important to the welfare of Canada and the railways'
23 monopoly on the movement is so complete that these rates
24 should never be under any other control than the federal
25 Parliament. We, therefore, strongly oppose any sugges-
26 tion that these rates should now be taken out of the
27 hands of Parliament and placed under the Board of Transport
28 Commissioners.

29 We are aware that the railways have already
30 urged very strongly that you should recommend a subsidy
payable to them from the federal government and designated



1
2 as covering certain alleged losses on the movement of
3 grain at the Crow's Nest agreement level.

4 The first comment which we wish to make on
5 this is that we are not convinced that the present rates
6 on grain are not covering railway operating costs for
7 grain. This subject will be covered at length by the
8 representatives of the grain handling co-operatives and
9 by provincial governments and other spokesmen for grain
10 shippers. We wish only to record that the mere fact that
11 rates per bushel are the same as in 1899 does not prove
12 that losses are being made. At that date a train might
13 consist of 20 cars of 1,000 bushels each. From a point
14 like Brandon with a rate of 9.6 cents per bushel, the
15 revenue for moving such a train to the Lakehead would
16 be \$1,920. With modern equipment a present-day train
17 might consist of 80 cars of 2,000 bushels each, yielding
18 a revenue of \$15,360 per train for the same journey.

19 It is recognized that wages and costs of material
20 and equipment have risen very substantially in the 60-year
21 period. On the other hand, size of equipment, speed of
22 travel, year-round movement rather than heavy concentra-
23 tion in the fall months, and general improvements in
24 operating technique have offset much of the cost increase.
25 From our point of view the key question is whether a
26 revenue of \$15,360 per train now, compared to \$1920 per
27 train 60 years ago, does or does not give the railways
28 sufficient income to provide the standard of service needed
29 to move the Manitoba grain crop. We do not propose to deal
30 with the cost accounting which would be involved. We
merely state that our members are not convinced.



1
2 We do not believe that the railways themselves
3 consider the grain traffic unprofitable. We are aware
4 of many statements by railway officials in the past point-
5 ing out the great advantage to them from this steady
6 movement of heavy tonnage traffic which has always been
7 the mainstay of Canadian railroading. We are also
8 aware that even a casual examination of railway profits
9 shows that years of heavy grain movement are years of good
10 net railway profits and that years of light grain move-
11 ment are years of low returns to the railways.

12 But more impressive evidence is the recent
13 action of the railways in voluntarily introducing rates
14 at or near the Crow's Nest level. Surely the railways
15 would not enter into agreed charge contracts for the
16 specific purpose of obtaining for themselves traffic on
17 which costs would exceed revenue. And yet they have
18 signed agreed charge contracts at rates not materially
19 different from the Crow's Nest rate scales.

20 The following table was prepared to show
21 revenue per car realized by the railways for grain
22 moved at Crow's Nest Pass rates compared to revenue per
23 car realized from the agreed charge contract on crude
24 petroleum. The contract in question was made by the
25 railways in 1956 to retain or obtain the crude petroleum
26 traffic. We have seen no evidence that a carload of grain
27 is more expensive for the railways to handle than a
28 carload of crude petroleum. The different weight of the
29 contents in the car is only one item to be taken into
30 account along with the size and regularity of movement
and the number of empty cars to be returned and many other



factors.

Boissevain, Man.
to Lakehead.

Grain revenue per car of
115,000 pounds \$184.00

Revenue for same distance
per car of crude petroleum
of 70,000 pounds \$196.00

Kirkella, Man.
to Lakehead.

Grain revenue per car of
115,000 pounds \$207.00

Revenue for same distance
per car of crude petroleum
of 70,000 pounds \$196.00

The rates quoted above remained in effect from 1956 until February, 1959, as the railways tried to attract movements of crude petroleum at rates per carload not greatly different from the rates per carload for the large volume steady movement of grain. In February, 1959, the agreements were reviewed and the railways again made agreed charge contracts for crude petroleum. In the 1959 tariff the rate from Kirkella was raised to \$210.00 per car and the rate from Bossevain was dropped with a notation that no traffic was moving. Our members consider this agreed charge on crude petroleum as the strongest kind of evidence that as late as 1959 the railways considered they were making satisfactory earnings at the Crow's Nest level of rates as applied to crude petroleum and were ready and willing to accept those rates even for infrequent and scattered movements. It will require overwhelming evidence to convince our members that the railways are not making better returns on the steadier and larger volume movement of grain.

This contract on crude petroleum is not merely an isolated example. There are other low rated agreed



1
2 charge contracts as well. One lumber contract
3 made in 1957 at 22 cents per cwt. for a haul of
4 217 miles from Moor Lake, Ontario, to Lachute,
5 Quebec, would yield \$187.00 per car for a minimum
6 of 85,000 pounds, and another in the same year at
7 30 cents per cwt. from the same point for a haul
8 of 261 miles to Outremont, Quebec, would yield
9 \$240.00 per car for a minimum of 80,000 pounds.
10 These revenues per car compare well with the re-
11 venues per car on grain when it is recalled that
12 these lumber shipments are a few cars with special
13 routings into congested eastern yards while the
14 grain movement is part of a large steady flow into
15 a terminal specifically designed to handle grain cars.

16 Even wider examples are provided by the
17 results of the 1958 waybill analysis of the exper-
18 ience of the Canadian railways. It tabulates the
19 results of regional movements of railway freight
20 showing average distance hauled and average charges
21 paid by shipper in each category. Some of these
22 are well below the amount which would be collected
23 by the railways if they moved a car of grain the
24 same distance at the Crow's Nest rates.

25
26 A few examples are:
27
28
29
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

Moffat

4735

		Average haul miles	Average charges to shipper per car	Charge per car at Crow's Nest rates for same distance
1				
2				
3				
4				
5				
6	Games and toys -			
7	Eastern Region to			
8	Eastern Region	335	\$ 81.00	\$153.78
9	Forest Products			
10	Maritimes to			
11	Eastern Region	496	112.50	175.74
12	Sewer pipe and			
13	drain tile			
14	Maritime to			
15	Eastern Region	684	145.00	197.71
16	Coke - Eastern			
17	Region to Maritimes	686	188.00	208.70
18	Furniture - Eastern			
19	Region to Maritimes	724	208.00	208.70
20	Fertilizer -			
21	Maritimes to			
22	Eastern Region	832	193.30	230.66
23	Coke - Maritimes			
24	to Eastern Region	866	153.00	241.65
25	Glass - Eastern			
26	Region to Maritimes	1104	215.00	263.62
27				
28				
29				
30				



1
2 I would like to point out in connection with
3 that total, that those particular shipments there rep-
4 resent, in total, 17 cars, and the waybill analysis is
5 based on the one per cent sample. So, presumably, this
6 represents a sample of about 1700 cars, and we don't
7 try to argue that any one of these cars is necessarily
8 representative, but a sample of that size is something
9 that needs to be looked at.

10 It will be noted that the above table refers to
11 average charges levied by the railways against shippers.
12 In the case of shipments within the Maritimes or from the
13 Maritimes into central Canada, the revenue to the railways
14 is made up of these charges plus a subsidy. Consequently
15 in four of the above examples a true comparison of railway
16 revenue would require the addition of the subsidy for
17 that portion of the haul which takes place within mari-
18 time territory. The amount to be added for subsidy is
19 not definite since it depends on the origin and destin-
20 ation of each individual shipment. But an examination
21 of the above table makes it clear that even if the subsidy
22 under the Maritime Freight Rates Act is added, the revenue
23 per car on this group of commodities averages well below
24 the revenue per car which would go to the railway from
25 moving the same number of cars of grain over equal dis-
26 tances.

27 Other special circumstances may explain indivi-
28 dual cases, but if the railways are satisfied that all
29 these movements are returning revenues in excess of cost
30 then we are not convinced that losses are being made on
the well organized large scale grain movement at higher



1
2 charges per car.

3 Our members are also concerned about the sub-
4 sidy proposal advanced by the railways. If adopted, it
5 would be called a subsidy to western grain producers
6 but the money would go into the pocket of the railways.
7 This all farmers would resent. The railway proposal is a
8 clear-cut request for federal subsidy to the railways.
9 If it is to be granted, it should be recognized as such
10 and there should be no attempt to conceal the true facts
11 by calling it some other name.

12 Our members feel that the proper approach is
13 one which would require the railways to deal with
14 unremunerative services such as lightly travelled passen-
15 ger trains, lightly used branch lines, unprofitable
16 commuter services and the like. If losses of these types
17 are removed from the charges against freight shippers
18 and if railway operations are carefully examined for
19 efficiency in the use of labour and equipment, we are
20 sure that the grain rates would present a very different
21 picture from that shown by the railway exhibits.
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2 As a final comment on the rates for grain we
3 wish to point out several important differences between
4 the situation in Manitoba and in the other prairie
5 provinces. We have already mentioned that Manitoba is
6 an area of excellent railway operating terrain. This is
7 particularly true in respect to grain where the prevail-
8 ing slopes are gently downgrade throughout almost the
9 entire distance from the grain growing areas to the
10 lakehead. Our grain does not move through areas
11 at all comparable to the mountain terrain of British
12 Columbia or the long isolated hauls on the Hudson's Bay
13 Railway. Consequently, we think that any realistic cal-
14 culation of grain hauling costs must recognize that
15 eastbound shipments are distinctly cheaper per mile. The
16 average cost per mile for moving Manitoba grain must be
17 well below the average cost per mile for the prairies as
18 a whole.

19 Now, there I would like to interject that
20 you will notice the emphasis is on Manitoba grain, and
21 it is Manitoba grain moving to the Lakehead. It is not
22 grain moving in Manitoba, because grain moving in Manitoba
23 includes a good deal of Saskatchewan grain going up to
24 the Hudson Bay, and there the situation is somewhat
25 different. But, here, we are talking about Manitoba grain
26 going to the Lakehead.

27 Secondly, we would point out that existing rates
28 per mile in Manitoba on Crow's Nest grain are higher than
29 in the provinces to the west of us. A few examples of
30 rates to the Lakehead are:



	<u>Miles</u>	<u>Rate per Car of 2000 bushels</u>	<u>Rate per car per Mile</u> Cents
Winnipeg	420	\$168	40.0
Brandon	553	\$192	34.7
Regina	776	\$240	30.9
Moose Jaw	818	\$240	29.3
Edmonton	1228	\$312	25.4

The significant point, of course, is the final column, where it is worked out in terms of rate per car per mile, and the rate is 40 cents per car mile in Winnipeg and a little less in Brandon, and gets lower at each point as you move farther west.

It will, of course, be pointed out that rates per mile are normally less for longer hauls than for shorter hauls to reflect the fact that the cost of originating and terminating the shipment must be covered in the rates for short movements and that extra mileage is less expensive than the first short haul mileage. But the normal structure of rates as set by the Board of Transport Commissioners is less sharply adjusted than the above schedule.

For example, using the class 100 scale to Fort William as the basis for comparison, the rate from Regina is 58 per cent above the rate from Winnipeg and the rate from Moose Jaw is 62 per cent above the rate from Winnipeg. But on the Crow's Nest scale, the rate from either Regina or Moose Jaw to Fort William is only 43 per cent above the rate from Winnipeg. If the grain rate scale went up at the same rate as the class 100 scale, the rate from Regina would be 13.2 cents per bushel and the rate from Moose Jaw would be 13.6 cents per bushel compared to the present rate of 12 cents.



The following table is of interest in showing what would happen if the present Crow's Nest Pass grain rate scale were replaced by a scale equal to 8 per cent of the class 100 tariff fixed by Board of Transport Commissioners' order No. 96300.

Rate to Fort William

<u>From</u>	<u>Crow's Nest Rate</u> cents per bushel	<u>Class 8 Rate</u> Cents per bushel	<u>Difference</u> cents per bushel per- cent	
Winnipeg	8.4	14.4	6.0	71%
Brandon	9.6	17.8	8.2	85%
Regina	12.0	22.8	10.8	90%
Moose Jaw	12.0	23.4	11.4	95%
Edmonton	15.6	32.9	17.3	110%

The significant point in connection with this table is, again, in the final column -- that if the grain rate scale was moved up to eight per cent of the class 100 scale, the result would be an increase of 85 per cent in Brandon, 95 per cent in Moose Jaw, and 110 per cent in Edmonton.

MR. SINCLAIR: Why the 8 per cent? I don't understand that.

MR. MOFFAT: I think maybe I should explain.

MR. SINCLAIR: Is it keyed on Regina?

MR. MOFFAT: No, it is keyed on a calculation that would come approximately equal to the suggestion of the railways that it should be 100 per cent increase. This was the closest figure to 100 per cent. If you use anything higher than 80, it goes over 100; and anything less, it would be under.

MR. DOHERTY: Is this class 8 rate?

MR. MOFFAT: Eight per cent of the 100.



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2 MR. DOHERTY: Is that the hypothetical class
3 you are suggesting?

4 MR. MOFFAT: No, there is no suggestion it is
5 saying if that scale was applied as a yardstick.

6 MR. DOHERTY: There is no such thing as a class
7 8 rate?

8 MR. MOFFAT: Well, 8 per cent of the class 100.

9 It is clear from these figures that if any ad-
10 justment is to be made on the grain rates, the amount of
11 the adjustment should be much larger in Saskatchewan and
12 Alberta than in Manitoba. On the other hand, if a sub-
13 sidy is paid to maintain the present rates, the benefits
14 to Saskatchewan and Alberta will be much greater than
15 to Manitoba. We wish to emphasize that in mentioning
16 these considerations we are not drawing back from our basic
17 contention that there is no proof that the grain rates
18 are losing money.

19 We want to emphasize that. We are not drawing
20 back from the basic contention that there is no proof that
21 the grain rates are losing money.

22 If proper steps are taken to remedy the situ-
23 ations discussed earlier in this brief and to assure
24 maximum efficiency for the future and the elimination of
25 unnecessarily expensive operations, we are sure there
26 will be no need for either a subsidy or a rate increase
27 on grain.

28 Now, Mr. Ransom is going to conclude the brief.

29 THE CHAIRMAN: Mr. Ransom.

30 MR. RANSOM: The governments of the three
prairie provinces and the major grain handling agencies are



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2 preparing to submit full evidence on the whole question
3 and we are sure that they will subject the railway evidence
4 to a rigorous examination. But if at the end of your
5 deliberations you reach the conclusion that the grain rates
6 are not paying their way, then we ask that you take
7 into account these special features under which the
8 position of Manitoba farmers differs from those in the
9 other two provinces.

10 Conclusion: In conclusion, therefore, we wish
11 to again stress the great importance which our members
12 attach to your deliberations. Few, if any, subjects
13 have been of such vital concern over so long a period.

14 We, therefore, urge that you make a thorough
15 study of all matters referred to you and that you prepare
16 your report with the completeness due to a document which
17 will be intensively studied by all who are concerned
18 with the welfare of Canada. You will do less than justice
19 to yourselves and to the people of Canada if you allow
20 yourselves to be pressed into a hurried or partial report.
21 Although we agree that some of the subjects before you
22 are of great urgency, still we fear the consequence if
23 a hurried report is prepared on one feature without
24 adequate consideration of the over-all structure of
25 Canadian transportation.

26 Respectfully submitted.

27 THE CHAIRMAN: Thank you, Mr. Ransom.

28 Mr. Cooper?

29 MR. MOFFAT: Just before the questions start,
30 maybe we should have a discussion on the procedure on
31 answering. The thought we had in mind, if it meets with



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2 your approval, that the questions would be directed
3 to Mr. Ransom and that he will deal with them if they
4 relate to general policy and agricultural policy but
5 if they relate to the details of the brief or relevant
6 matters, he will pass them on to me.

7 THE CHAIRMAN: Well, you had both better stand
8 by.

9 CROSS-EXAMINATION BY MR. COOPER:

10 Q. Mr. Ransom, you mention on page 4 of the
11 brief that the main agricultural products of Manitoba
12 are wheat, coarse grains, beef, pork, butter, eggs and
13 poultry, and that for all these Manitoba is a substantial
14 exporter. You mention, further down, that the surpluses
15 of all these products seek markets in the large cities
16 of eastern Canada, eastern United States or Great Britain.

17 Now, with respect to beef, pork, butter, eggs
18 and poultry, what is the chief market for those products?

19 MR. RANSOM: What is the chief market?

20 Q. Yes. Do they move mainly to eastern United
21 States, eastern Canada, or where?

22 MR. RANSOM: Well, eastern Canada for most
23 of them -- Toronto and Montreal.

24 Q. Is there a significant movement into eastern
25 United States?

26 MR. RANSOM: I don't think there is too sig-
27 nificant. There is a movement there, though.

28 Q. There is a movement into the eastern United
29 States. Would that movement be by truck or by rail?

30 MR. RANSOM: I don't know. I think mainly pork



1
2 products. I am not certain whether it would be by
3 rail or by truck.

4 Q. Perhaps Mr. Moffat could indicate?

5 MR. MOFFAT: Well, actually, the normal pattern
6 is that the main movement into eastern United States is,
7 of course, grain, and that goes by rail. The other is
8 a spasmodic movement -- sometimes it is big, and sometimes
9 not too big; sometimes by truck, and sometimes by rail.

10 Q. Not entirely by rail, of course?

11 MR. MOFFAT: But the price structure, the
12 marketing structure that prevails and determines the price
13 is the rail's shipping cost, normally.

14 Q. With respect to butter, you mention on
15 page 15 -- a similar history of the butter rates to the
16 history of the meat rates. You have given the history
17 of the meat rates. I wonder if you would explain your
18 statement to similar history of the butter rates to
19 indicate what has happened there, for the information
20 of the Commission?

21 MR. RANSOM: Well, in the case of the butter
22 rates, I haven't brought myself as thoroughly up to date
23 as I did in the case of the meat rates. But the basic
24 pattern is the same. The rate was quite high.

25 The truckers began to operate out of here in
26 fairly big volume in refrigerated units, and they under-
27 cut the railways. They got a big part of the butter
28 business away from the railways, and the railways came
29 in with an agreed charge contract which recaptured the
30 butter contract for them at a rate considerably lower
than before.



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2 Q. If I understand the situation correctly,
3 the meat is moving under agreed charges and butter as
4 well?

5 MR. RANSOM: Basically, yes.

6 Q. And, presumably, those rates, of course,
7 must be satisfactory to those people who entered into
8 those agreed charge contracts?

9 MR. RANSOM: Which is the railways.

10 Q. What about the shippers, with respect to
11 those products? I take it that the shippers have entered
12 into agreed charges?

13 MR. RANSOM: I don't think either Mr. Moffat or
14 I can speak of the shippers, because the shippers in this
15 case are mainly the packing companies; but the effect
16 as far as the farmers are concerned is those shipping costs
17 are less, therefore the price here is higher. This is
18 the significant thing from the farmers' point of view.

19 If it is agreed here, I think we would maybe
20 save time if I would have our advisor, Mr. Moffat, answer
21 the questions.

22 THE CHAIRMAN: I think Mr. Moffat can answer
23 the questions. He has answered them before, I know.

24 MR. COOPER: Q. The only point that I was
25 getting at, Mr. Moffat, was with respect to meat and
26 butter. They appear to be moving at rates which have
27 been arrived at by negotiation by way of agreed charges
28 after an alternative way of moving those products was
29 used?

30 MR. MOFFAT: Yes. They seem to be, in general,
moving at a rate which is just low enough so that the



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2 railways can keep the business away from the trucks.
3 This seems to be the yardstick.

4 Q. That would be about as low a rate as the
5 farmers could get?

6 MR. MOFFAT: Yes.

7 Q. On page 7, you said:

8 "We do, however, think that your Commission
9 and the railroads should be gravely concerned
10 with the growing public dissatisfaction with
11 the apparent lack of effort to eliminate waste-
12 ful and inefficient practices in the use of
13 labour and equipment."

14 What is the source of that statement? What
15 evidence is there in this growing public dissatisfaction?
16 Does it consist of individual complaints, or newspaper
17 reports, or what?

18 MR. MOFFAT: Well, I think probably one of the
19 best illustrations we have is the size of the audience
20 we have had here at the hearings the last three days.
21 The farmers are dissatisfied and anxious to know what
22 is going on, and we find the same thing happening at
23 the country meetings. Practically every meeting that
24 is held by the farm organizations has some question
25 coming from the audience as to what is happening on these
26 questions. It is not possible to pinpoint it. The
27 brief was careful not to pinpoint it to any one thing,
28 but the question keeps coming up at the discussion
29 meetings.

30 Q. That phrase "growing public dissatisfaction"
really means the growing dissatisfaction of members of



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2 your Federation, or the public generally?

3 MR. MOFFAT: Of the farmers. Of the farm
4 residents, generally.

5 Q. You mention commuter service on page 10,
6 paragraph 34. I understand that the Board has in fact
7 authorized a ten per cent increase in commuter services,
8 fares effective January 1, 1960. That is correct?
Stetchison

9 MR. MOFFAT: Mr. / is giving me some figures
10 here that form that impression that that ten per cent is
11 less than what the railways asked for.

12 Q. I am merely pointing it out -- the fact
13 that there has been an increase.

14 MR. MOFFAT: Yes.

15 MR. SINCLAIR: The judgment is there to be
16 read, and what the Board said, and I do not think there
17 is any need to guess about it.

18 MR. COOPER: I am merely pointing it out.

19 MR. SINCLAIR: I am talking about Mr. Stetchison
20 who was giving him some figures. That is what I am saying.
21 They are in the judgment.

22 MR. COOPER: Q. On page 14, paragraph 49, you
23 raised the question of possible amalgamation of both
24 lines and operation thereafter by the federal government.

25 Now, I take it that all you mean by paragraph
26 49, is that the Commission should take a look at the
27 situation. Is that right?

28 MR. RANSOM: That is precisely it. This is a
29 popular demand among farm people who have maybe not given
30 too much study to it, and we are only requesting that
you take a look at this for us.



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2 Q. You have come to no conclusion among your
3 own members on this subject?

4 MR. RANSOM: They have expressed this by
5 resolutions at various conventions from time to time.

6 Q. That the situation should be looked at,
7 or that there should be definite action taken -- which?

8 MR. RANSOM: I would say both -- both extremes.

9 Q. The field is wide open to the Commission,
10 I take it.

11 Now, could you tell me, Mr. Ransom, whether
12 in your opinion the feed grain assistance policy is a
13 desirable national policy?

14 MR. RANSOM: From the western farmers' point
15 of view or --

16 Q. Yes. I will relate it specifically to
17 the Manitoba farmers.

18 MR. RANSOM: It is desirable to this extent,
19 as far as we are concerned, that looking at it from the
20 point of view of a grain producer, it enables us to get
21 rid of a greater portion of our surplus grain.

22 Q. You would wish to see it continued, or
23 discontinued, or what?

24 MR. RANSOM: As a grain producer, yes, I think
25 we wish to see it continued. I am not too sure what
26 the livestock producers' thinking is in this connection.

27 Q. But, so far as the grain producers are
28 concerned, they consider it to be a desirable policy and
29 wish to have it continued?

30 MR. RANSOM: Yes.

MR. COOPER: Yes. Thank you very much,



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2 Mr. Ransom.

3 THE CHAIRMAN: Mr. Dickson?
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5 CROSS-EXAMINATION BY MR. DICKSON:

6 Q. Mr. Ransom, there are just two points I
7 would like to ask one or two questions with respect to.

8 The first arises on page 11 and relates to a
9 change in phraseology which Mr. Moffat introduced in
10 the reading of the brief. It read:

11 "We believe that in some cases there should
12 be abandonment of superfluous lines but that
13 this should be done over a period of years,..."

14 That was changed to:

15 "We believe that in some cases there might
16 be abandonment of superfluous lines but that this
17 should be done over a period of years...."

18 I take it that is simply underlining what you
19 stated earlier; you haven't analyzed the situation in
20 detail, and just indicates that is the impression you
21 have -- that there may be a superfluity of lines?
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2 MR. RANSOM: I think that is correct - a
3 correct assumption.

4 Q. You mention a little later in the same
5 paragraph there should be co-operative arrangements
6 between the railway and the municipalities and the
7 province to co-ordinate the construction of new roads
8 with the new patterns of freight movement: Is it
9 your thought the railways would contribute towards the
10 construction of those new roads?

11 MR. RANSOM: Not necessarily. The thinking
12 here is to give time for those adjustments in construc-
13 ting roads, and so on, before the line is lifted.

14 Q. In the last couple of lines in that same
15 paragraph you speak of giving those owning facilities
16 on the line a proper chance to re-arrange their organ-
17 izations to cut down, so far as possible, the dislocation:
18 Applying that to a specific abandonment - the Beulah
19 subdivision, in reply to a question from the Chairman
20 as to the number of pool elevators on that line, and
21 there were fifteen elevators of the Manitoba pool -
22 how would that proposal of yours reduce the loss which
23 his organization would suffer if that line were to be
24 abandoned?

25 MR. RANSOM: Would you repeat the last part
26 of that question, please?

27 Q. How would the suggestion which you have
28 made here reduce the loss which the Manitoba Pool would
29 suffer if that line were to be abandoned?

30 MR. RANSOM: I am not just sure that I under-
stand your question as thoroughly as I might. The



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2 suggestion here to re-arrange their organization to cut
3 down as far as possible the duplication cost of
4 changing -- of course, that would take time. If the
5 railway was abandoned just over night, so to speak,
6 it could result in serious losses to any elevator company
7 if they haven't got their facilities moved to another
8 line.

9 Q. Have you in mind personnel or actual
10 physical facilities?

11 MR. RANSOM: I would say both.

12 Q. Take these fifteen elevators of the
13 Manitoba Pool, which I suppose have a replacement value
14 of -- how much?

15 MR. RANSOM: I would not know.

16 Q. Forty or fifty thousand dollars, apiece,
17 and the salvage value, perhaps \$1,000 to \$1,500 apiece.
18 How would they so arrange their affairs to relieve
19 themselves from the loss of that very large amount of
20 money?

21 MR. RANSOM: I don't think I should answer that
22 question, sir. I would rather let Pool Elevators or an
23 authority on that subject answer it.

24 Q. All right. Let us pass to one other point,
25 Mr. Ransom, and that is at the bottom of page 16 where
26 you refer to grain for domestic consumption. That is
27 grain moving at domestic rates, I take it?

28 MR. MOFFAT: Yes, it is the domestic grain
29 rate.

30 Q. And those particular rates have borne
some 90 per cent increase since 1927 in freight rates?



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2 MR. MOFFAT: Yes, over the last about five
3 years, since they began to be increased.

4 Q. And there may be another one pending?

5 MR. MOFFAT: There is another one on appli-
6 cation.

7 Q. In a question which Mr. Sinclair asked
8 Premier Roblin on Monday, the question was asked whether
9 it was not a fact that the impact of these high rates
10 bore on the buyer and not on the farmer?

11 MR. SINCLAIR: Mr. Sinclair certainly didn't
12 express the question that way.

13 MR. DICKSON: Q. I believe you were here,
14 Mr. Moffat?

15 MR. MOFFAT: Yes.

16 Q. You heard the question?

17 MR. SINCLAIR: You didn't hear it that way.

18 MR. DICKSON: Q. Will you comment on the
19 question and give the opinion of your organization as
20 to the appropriate answer?

21 MR. MOFFAT: Well, the price that the farmer
22 receives for his individual production of grain is
23 determined by the price at his delivery point, which
24 is the Lakehead price less the Crow's Nest rate to the
25 Lakehead, and therefore the price which he gets is not
26 affected directly by the increase on the charges for
27 moving domestic grain.

28 Q. Correct.

29 MR. MOFFAT: But the charges for moving
30 domestic grain reflect themselves through in the total
amount that is realized by the Wheat Board for the sale



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2 of their grain, and consequently comes back as a
3 reduction in the total amount available for distribution
4 out of the Wheat Board pool at the end. It comes
5 out of the farmers, but not out of the particular farmer
6 who ships that particular thousand bushels.

7 Q. And the amounts paid for the movement of
8 grain at domestic rates end up in the coffers of the
9 railway?

10 MR. MOFFAT: And come out of the farmers'
11 pockets, yes.

12 ---Short recess.

13 CROSS-EXAMINATION BY MR. BRAZIER:

14 Q. I think probably my first question will
15 be the only one directed to Mr. Ransom. On page 5 of
16 your submission, Mr. Ransom, you make this statement:
17 "Similarly, Manitoba farmers know that any inquiry
18 which is to claim thoroughness must look at the complete
19 rate structure and not at one isolated part." Is that,
20 I presume, the considered opinion of the members of
21 your association?

22 MR. RANSOM: Yes, I believe it is. They have
23 a feeling that it needs to be looked at from all angles.

24 Q. So, in judging the burden of railway
25 transportation charges on any part of the country,
26 would you agree that you have to look at the whole rate
27 structure as applied to that part of the country?

28 MR. RANSOM: Yes.

29 Q. And you can't pick out certain individual
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2 rates which may be more favourable in one part of the
3 country than those in another, and claim that as a
4 result of that the burden is greater on the second part
5 of the country?

6 MR. RANSOM: Would you care to answer that,
7 Mr. Moffat?

8 MR. MOFFAT: I think I know what you are
9 talking about. I would agree entirely with what
10 Mr. Ransom said, that if you are looking at the burden
11 on the area you have to look at all the rates in the
12 area.

13 Q. You have to take the good with the bad?

14 MR. MOFFAT: But you can't ignore the indivi-
15 dual rates, because they may be important to one or two
16 industries, or groups of industries. So, you have got
17 two separate questions: The one of the over-all burden
18 on the area, and secondly, on the distributors or
19 wholesalers which may be different from the area.

20 Q. I am putting it to you on the basis of
21 the burden of railway transportation on an area?

22 MR. MOFFAT: Yes. If you are looking at the
23 whole burden on the area, you would have to look at all
24 the rates, yes.

25 Q. I think the rest of the questions are
26 dealing with parts of the brief which you presented,
27 Mr. Moffat. I first turn to page 13, and the first
28 sentence in paragraph 47: "Another regional difference
29 is we think important, namely, the difference between
30 operating costs on the Manitoba prairies and in the
mountain and rock formations of other provinces."



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2 MR. MOFFAT: Yes.

3 Q. Have you any information which would
4 indicate that the costs of operation - and here you
5 deal just with cost and not the original construction -
6 are greater over the Canadian National Railway in British
7 Columbia than they are in Manitoba?

8 MR. MOFFAT: Well, you can't say "excluding
9 construction", because you have those costs and the
10 operating costs in total, and you have got the total
11 operation through the mountain area, and without being
12 able to pinpoint a particular page - and I don't think
13 we need to pinpoint a particular page to know that it
14 costs more to haul a train up over the Rockies, even
15 if you go through the Yellow Head, than to go across
16 the flat part of Manitoba.

17 Q. I think you have some connection with the
18 famous Mountain Differential case?

19 MR. MOFFAT: Yes, some.

20 Q. And you will recall the evidence that
21 was established in that case that the grades on the
22 Canadian National Railway in British Columbia were lower
23 than the grades on the Canadian National Railway in
24 any other province in Canada?

25 MR. MOFFAT: I don't remember that.

26 Q. You don't recall that?

27 MR. MOFFAT: I don't see how it could be.

28 Q. Do you recall the evidence that there was
29 one subdivision in British Columbia on which a standard
30 locomotive could carry the highest amount of freight
both ways of any subdivision in Canada?



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2 MR. MOFFAT: No, I don't remember that either,
3 although I agree there are some isolated subdivisions,
4 and in the valleys, that are pretty flat in British
5 Columbia.

6 Q. But you have no information as to what
7 the relative costs in British Columbia are against
8 anywhere else?

9 MR. MOFFAT: No.

10 Q. And you are just presuming that because
11 there are mountains there that it is going to cost more?

12 MR. MOFFAT: I have ridden through them enough
13 to know.

14 Q. You have probably ridden through on the
15 C. P. R.?

16 MR. MOFFAT: On both.

17 Q. In the same paragraph you make this state-
18 ment: "If Manitoba is to pay for its geographic position
19 far from water and competitive transportation ...": I
20 ask you if that paragraph, or that statement is consis-
21 tent with the statement which you make on the following
22 two pages where you speak, in paragraph 51 of, "the
23 tariffs charged by the railways and the slow and awkward
24 service provided by them have driven almost all live-
25 stock movements to the trucks," and on page 15 you
26 state, "...this area has directly benefited from the
27 truck movement which forced lower rates from the railways"?

28 MR. MOFFAT: I don't think anybody is denying
29 that Manitoba has had the benefit of truck competition.
30 Manitoba's road system is about as good as any other part
of Canada, if not better in spots, and we have had plenty



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of benefit from truck competition, but we haven't had
as much as some of the other areas. We are not trying
to say we haven't had any benefit.

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2 Q. What I am trying to point out, Mr. Moffat,
3 is this; you could hardly state that you were far from
4 competitive transportation?

5 MR. MOFFAT: We have our big volume, which
6 is the grain, and we have lumber and coal which is the
7 big tonnage movement on the inbound, and it is in these
8 commodities where it is, but in the small lot movements,
9 by truck, we have used trucks almost as extensively
10 as the other parts of the country.

11 Q. Would it surprise you, Mr. Moffat, to
12 know that it is indicated in the 1958 waybill study
13 that there were 38 cars shipped from Ontario to Manitoba
14 under competitive rates, as against only 34 cars to
15 British Columbia?

16 MR. MOFFAT: Well, it could be, I don't know;
17 I haven't looked at it.

18 Q. That shows considerable competition.

19 MR. MOFFAT: Are these agreed charges?

20 Q. No, I am going to those in a minute; it
21 is on competitive rates.

22 MR. MOFFAT: There is a fair volume of movement
23 in.

24 Q. All I am trying to say is that it would
25 indicate there is competition here.

26 MR. MOFFAT: We are not denying that; we are
27 just saying that there is not quite as much.

28 Q. The same waybill study shows that there
29 were 44 carloads shipped by agreed charges to Manitoba
30 as against 91 into British Columbia.

MR. MOFFAT: Forty-four as against 91?



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2 Q. Yes, but the 44, I suggest to you, still
3 indicates a considerable amount of competition.

4 MR. MOFFAT: I know, but I will just repeat
5 what I said before; there is some competition here, there
6 is quite a bit of competition, but not as much as in
7 other areas, not as much as there is between the big
8 cities in eastern Canada.

9 Q. I was afraid that you were making the sug-
10 gestion by that statement on page 13 that there was
11 practically no competition in Manitoba.

12 MR. MOFFAT: Well, apparently on your figure
13 half as much as in British Columbia on the agreed charges.

14 Q. Which is part of the picture.

15 MR. MOFFAT: Yes.

16 Q. Now, I know, Mr. Moffat, that you have been
17 connected with rate cases for many years on behalf of
18 Manitoba interests, and I draw your attention to the
19 sentence on the top of page 17 of your brief, "Our members
20 continue to oppose this policy and maintain that there has
21 been no demonstrated need for an increase in any grain
22 rates". Now, I put this question to you, Mr. Moffat,
23 and I suggest to you that in no case has there been
24 a demonstrated need for an increase in the rates of any
25 one particular commodity, and if I can go back to an
26 example that I like to use all the time, lumber from
27 British Columbia, and I will put this to you and see
28 whether you will agree with it, that in no general
29 increase cases was it ever proved that lumber was not
30 paying its costs.

MR. MOFFAT: No, I think you are correct,



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2 that in no general increase case was there any attention
3 paid to the cost of any one commodity; it has been the
4 over-all approach. There have been a few isolated
5 cases dealing with particular hauls, but not a general
6 case.

7 Q. Not a general case. So that lumber, for
8 instance, from British Columbia had to take the increase
9 whether it was paying its costs and more, or not.

10 MR. MOFFAT: Yes, that is right.

11 Q. And the only criterion was whether or not
12 the railways were earning an over-all amount sufficient
13 for their requirements?

14 MR. MOFFAT: That has been the practice all
15 right, yes.

16 Q. You made a reference to the costs of
17 lumber for the members of your association here. Can I
18 read into that that the members of the association
19 believe that the rates on lumber from British Columbia
20 are too high?

21 MR. MOFFAT: Yes.

22 Q. I might say that I agree. Thank you.

23 CROSS-EXAMINATION BY MR. DOHERTY:

24 Q. Mr. Moffat, as you are aware, I appear
25 here on behalf of the province of Saskatchewan, and ⁱⁿ our
26 province, as far as agriculture is concerned, we are
27 in a somewhat similar position.

28 May I direct your attention to paragraph 47,
29 where you say, "Another regional difference is we think
30 important, namely, the difference between operating costs



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2 on the Manitoba prairies and in the mountain and rock
3 formations of other provinces." Now, I suggest you are
4 not including Saskatchewan in that?

5 MR. MOFFAT: No, Saskatchewan is just as flat
6 as Manitoba.

7 Q. So the formula you are presenting here
8 would apply equally to Saskatchewan, is that right?

9 MR. MOFFAT: Not entirely. The operation within
10 Saskatchewan, yes, but not quite to the same extent as
11 the operation of the Saskatchewan group, because the
12 producers in Saskatchewan - some of it goes west and some
13 of it goes to Hudson's Bay, but as far as the operation
14 within Saskatchewan is concerned, I think it is just as
15 good.

16 MR. MAURO: Those nice gentle slopes.

17 THE CHAIRMAN: Downward slopes.

18 MR. DOHERTY: Q. You are mentioning this as
19 a factor pointing to the low operative costs and the fact
20 it might help lead to low cost of movement, particularly
21 in the grain trade?

22 MR. MOFFAT: Yes.

23 Q. It is a factor.

24 MR. MOFFAT: Yes, it is a very important
25 factor.

26 Q. Now, then, on page -

27 THE CHAIRMAN: I take it that you recommend
28 that the mountain differential be restored?

29 MR. MOFFAT: I think, Mr. Chairman, what it
30 gently recommends is, if you are looking at grain oper-
ating costs, you should look at grain operating costs

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2 on the flat prairies, and for that purpose should
3 restore, perhaps, the mountain differential. I gently
4 suggest that you at least look at that possibility.

5 MR. DOHERTY: Q. On page 22 at paragraph 78,
6 you say, "Secondly, we would point out that existing rates
7 per mile in Manitoba on Crow's Nest grain are higher than
8 in the provinces to the west of us," and you give some
9 examples. However, you are fair enough to admit in the
10 next paragraph that there are some reasons for this;
11 you say, "It will, of course, be pointed out that rates
12 per mile are normally less for longer hauls than for
13 shorter hauls to reflect the fact that the cost of
14 originating and terminating the shipment must be
15 covered in the rates for short movements and that extra
16 mileage is less expensive than the first short haul
17 mileage." Now I would suggest to you, Mr. Moffat, that
18 there is another factor that will have to be taken into
19 consideration, and that will be the density or the
20 volume of the movement.

21 MR. MOFFAT: Density and the regularity, yes.

22 Q. I would suggest to you also that in making
23 this statement that Manitoba is paying a higher rate,
24 you would have to take into consideration the fact that
25 it is the density of the movement which controls the
26 the lower cost of moving grain to the Lakehead; would
27 that be so?

28 MR. MOFFAT: Yes, this is one of the factors,
29 that is right.

30 Q. If the grain was not moving in from
Saskatchewan, you would have that density of movement



1
2 perhaps leave you with a higher rate from Manitoba to
3 the Lakehead.

4 MR. MOFFAT: You have that situation in other
5 places, too. The basic pattern that has been set out
6 here is for a class rate scale, which is the general
7 scale applicable where there are no special circum-
8 stances, and it does give a certain advantage over a
9 haul of 500, say, compared to 300 miles, and that scale
10 is some measure of what the extra cost is on the extra
11 miles, but the density would be one of them.

12 Q. I wonder if you would just explain to me
13 what you have in mind in these paragraphs 81 and 82;
14 I want to be certain I understand you. You mention the
15 class 8 rate, and I take it that is eight per cent
16 of the 100 class, class 100?

17 MR. MOFFAT: Yes, and as I explained it in
18 presenting it, someone asked the question that it was
19 selected as being the percentage of the class 100,
20 which would come closer to 100 per cent above the
21 existing rate, which is the figure that the railways
22 have suggested. That is not why we are suggesting it,
23 but the railways suggested something equivalent to
24 doubling the rate, and this is the closest percentage.

25 Q. I understand that you also say that
26 you are taking the position that the grain rates are
27 compensable?

28 MR. MOFFAT: Yes.

29 Q. And that this is, if I may emphasize it,
30 this is only if adjustments are made and only if a
subsidy is to be paid, is that correct? In other words,



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2 without this situation arising this proposition now
3 mentioned wouldn't be something to take into account?

4 MR. MOFFAT: Yes. We made that very clear,
5 and I repeated the sentence when I read it. We are
6 emphasizing that we are not taking away from the basic
7 contention that there is no proof that they are losing
8 money on the grain rates, and that nothing could be done
9 about it; we stand firmly by that.

10 Q. The other reference I had was a brief one
11 made with regard to the movement of livestock,
12 Mr. Moffat, and you mentioned that the railways have
13 lost the livestock movement by virtue of the fact of
14 higher rates. Do you seriously think if those rates
15 were to be lowered the movement of livestock would be
16 attracted back to the rails?

17 MR. MOFFAT: There is very little in Manitoba;
18 it is an awkward service.

19 Q. You think that there would have to be a
20 reduction in rates and an improvement in service as well?

21 MR. MOFFAT: In a lot of cases they have to
22 haul it and they still have to bring it in. There is
23 the fact that the trucker will come right to the barn
24 yard and pick up the animal and take it to the slaughter
25 house, and the railways can't compete with the conveni-
26 ence of truck service right in the yard.

27 Q. I am also informed that there may be some
28 disability with respect to the multiplicity of rates
29 and the differences in what the cost of movement may be;
30 would that be correct?

MR. MOFFAT: You mean for less?



1
2 Q. Yes.

3 MR. MOFFAT: It may be. Our discussions with
4 the farmers in the organization were primarily to do
5 with the convenience of the trucker picking it up right
6 in the yard, which was the predominant factor, and the
7 result is that there is very little livestock movement
8 left without that. There is a fair amount of livestock
9 in Manitoba, but what originates in Manitoba is a
10 relatively small amount of what is moving on the rail.

11 Q. But the reduction in rates in itself
12 wouldn't be sufficient to change the pattern of movement?

13 MR. MOFFAT: I doubt it.

14 Q. Thank you.

15 THE CHAIRMAN: Does Canadian Pacific transport
16 livestock?

17 MR. MOFFAT: I don't really know.

18 MR. SMITH: I have no questions, Mr. Chairman,
19 but with respect to the table in paragraph 72 which,
20 I take it, is identical as far as it goes, with appendix
21 3 in the submission of the Winnipeg Chamber of Commerce,
22 and I understand that the Commission will procure the
23 information that I requested.

24 THE CHAIRMAN: We will check that.

25 MR. SMITH: Thank you.

26 CROSS-EXAMINATION BY MR. HUME:

27 Q. Mr. Moffat, time is running out on us
28 and I will be very short. There are only two points
29 that concern me. The first is in connection with
30 your reference to the payment of whatever it is that may



1
2 be decided to be paid, and you suggest in paragraph 75
3 that you want to call it a subsidy. May I ask you
4 whether your organization has given any thought to
5 this proposal that if there is to be a payment for the
6 movement of grain, that it should be paid not to the
7 railways as a railway subsidy, but it should be paid to
8 the shipper so that he may select his own mode of trans-
9 portation in the future. Have you any policy on that,
10 either you or Mr. Ransom?

11 MR. MOFFAT: Well, the basic policy of our
12 discussion has been that we take the position as of
13 now that there should be no subsidy because we don't
14 think it is proven. If you go to the second point,
15 there has been no discussion and there is really
16 nothing considered within the organization as to the
17 possibility that something might be arranged to make
18 it possible for the benefit of this to go to the trucks,
19 but I think you should recognize that the truck move-
20 ment and the amount of volume you are talking about of
21 grain for the distances which we are talking about, is
22 practically out of the question at the present time.

23 Q. Were you aware, Mr. Moffat, that from
24 - and I assume that you would be from your long experi-
25 ence with these matters - that there is a comparable
26 movement from Manitoba to the Lakehead, comparable
27 movement south of the border.

28 MR. MOFFAT: Yes, there are some out of
29 Manitoba southbound on seed grain, but it is a relatively
30 small volume.

31 Q. It is more a matter of rate than anything



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2 else, isn't it?

3 MR. MOFFAT: Yes, it is the rate.

4 Q. And if, as a result of the deliberations
5 of this Commission, and perhaps another one ten years
6 from now, there is a payment recommended that would make
7 the rate attractive to other modes of transportation,
8 would you feel that this payment should be made just to
9 the railways for the movement of grain or should it be
10 made to all modes of transportation?

11 MR. MOFFAT: Well, if it was possible to
12 handle it that way, I think - I am speaking personally,
13 this hasn't been discussed with the organization -
14 speaking personally, if it was at all possible, then
15 in principle all carriers could have a chance at it,
16 but it could only reach that stage if the rate for one
17 man driving a truck on rubber tires down the road could
18 be as cheap as a three-man crew with a train a mile long
19 on steel rails and if the terminals could be there to
20 load and unload it at both ends, which would get you
21 into a big mechanical re-organization, but in any event,
22 if it could be worked I think in principle we would
23 agree that everybody should have a chance at it.

24 Q. The next point I want to deal with is on
25 page 12, and you refer in paragraph 43, and this is
26 something which I have read about in the western briefs
27 and this is not a question on which I want to disagree
28 with you, but this point about the western Canadian
29 shippers paying higher rates than those charged in the
30 east - I am not disagreeing with that but I want to ask
you because you are probably one of the most experienced



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2 witnesses we will have in connection with the farmers'
3 association, and the Manitoba brief indicated and I
4 think it is generally so, that about 32 per cent - it
5 is the traffic which is the captive traffic that bears
6 normal horizontal rate increases.

7 MR. MOFFAT: It is reduced to about that,
8 and that table showed it, but as somebody pointed out
9 you have to add to that the international traffic, and
10 you get 30 per cent of it which moves under the Canadian
11 rate structure, and another group with moves with the
12 American rate structure, so when you take the total
amount that indicates that it is bigger than 32.

13 Q. It is somewhere in the area of 30 to 40
14 per cent; would you agree with that?

15 MR. MOFFAT: Or a little higher, maybe over
16 40.

17 Q. I wanted to ask you this: Are you aware
18 of the evidence given before the Committee on Railways,
19 Canals, and Telegraph Lines on April 14, by Mr. Knowles
20 that of all of the captive traffic 56.7 per cent is
21 paid in western Canada and 26.5 per cent is paid in what
22 you call central Canada. Were you aware of those figures;
23 it appears on page 16 of the proceedings and Mr. Knowles,
24 who is a Commissioner of the Board of Transport Commis-
25 sioners and a former high official in the Canadian
26 National Railways, was asked about increases, where
27 does the impact of these increases strike, and he points
28 out in his evidence that 56.7 per cent would be on the
29 western region and 26.5 per cent on the central Canadian
30 region and 16.8 per cent on the maritime region.



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2 MR. MOFFAT: I am not familiar with those
3 particular findings, but I do know that the most
4 important movement of this type is the movements between
5 western Canada and eastern Canada, on shipments from
6 Winnipeg eastbound to central Canada and from central
7 Canada westbound. This is the big group where the big
8 increases hit, and this is the group where our complaints
9 here are evidenced, and personally I agree 100 per cent
10 with them, that we tend to get stuck with it both ways;
11 we pay eastbound and westbound. We don't like the
12 nature of the market, but that is the nature of the
13 market and we get stuck with it both ways.

14 Q. From your analysis you are paying part
15 of the 26.5 per cent that moves in central Canada, and
16 you are paying 56.7 per cent in western Canada.

17 MR. MOFFAT: I don't know where those figures
18 come from.

19 Q. I don't either, but he has given them and
20 I presume they are accurate.

21 MR. MOFFAT: It is between Winnipeg and
22 central Canada, that is the area as far as we are
23 concerned.

24 Q. My last question arises out of a comment
25 you make in paragraph 54 where you exhort the Commission
26 to take care of and see that the railways are not allowed
27 to destroy truck competition. Do I take it from that
28 that your Federation is opposed to agreed charges, or
29 have you any policy on it?

30 MR. MOFFAT: There is no real policy on it;
they certainly haven't opposed agreed charges and there



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2 are several illustrations in here where agreed charges
3 have worked out to our benefit, so they haven't taken
4 any position on the principle of it.

5 Q. If the agreed charges were so extensive
6 that they caputred so much of the trade that the truck-
7 ing industries -- if that situation was threatened, do
8 you agree there should be some regard paid to the
9 continuation or expansion of agreed charges?

10 MR. MOFFAT: If the basic requirement of
11 the Act is still there, and if the railways use common
12 sense so that when they enter into an agreed charge they
13 keep it just at the level/necessary to meet competition
14 and don't go below that, then there is always going to
15 be a place for the traffic to get in there, and if the
16 railways start going down lower than they have to go
17 and start losing money, then we will have some complaints
18 from western Canada, because we don't want to have losses
19 on agreed charges charged up against something else.
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2 Q. You can understand, Mr. Moffat, that I am
3 not so concerned as to whether or not the railways are
4 going to make money on the agreed charges; that I am
5 concerned with if an agreed charge captures about 90
6 per cent of petroleum, it is apt to affect the petroleum
7 haulers and impair their ability to carry on. Your
8 brief indicates that the best outlook for you is to have
9 that competition. You say that in your brief, and I am
10 suggesting to you -- is that consistent with the fact
11 that agreed charges, if extended, might threaten that
12 competition?

12 MR. MOFFAT: I think it is quite consistent.
13 I think you could summarize the position that the farm
14 people do not want to see any legislation which will
15 facilitate either the trucks or the railways driving the
16 other out of the field. But, as to whether they would
17 like to see any legislation to protect one against the
18 other, I think the answer is no. They would prefer to
19 leave it to competition to deal with.

19 Q. Free competition?

20 MR. MOFFAT: Yes.

21 MR. HUME: Thank you.

22 THE CHAIRMAN: You do not condemn the agreed
23 charge; but you would condemn the abuse of it?

24 MR. MOFFAT: Yes.

25 CROSS-EXAMINATION BY MR. MACDOUGALL:

26 Q. I think these questions are basically on
27 part of the brief you have submitted. At page 7, at the
28 end of paragraph 25 you say:



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2 "We think it is important that you examine
3 carefully the operation of the Canadian rail-
4 ways to see if they are offering a standard
5 of service that adequately meets the needs
6 of modern business but it is equally important
7 that you examine their operations to see if
8 they are charging the people of Canada for
9 elaborate and costly items which could be
adequately provided by a less costly method".

10 There are a few points there, Mr. Moffat.

11 Firstly, are you suggesting that there should be any
12 additional type of regulation on the railways to prevent
13 this?

14 MR. MOFFAT: No. All we are saying is that
15 if they go asking for a rate increase because they
16 are losing money, and it is clear they are losing
17 money by this kind of thing, they should get the rate
increase.

18 Q. And you are not suggesting that there should
19 be any interference in management prerogative as to the
20 type of service it provides, and as to the type of
21 decisions they make to discharge their duties under the
22 law?

23 MR. MOFFAT: Except if they go into a service
24 and the community builds up -- depending upon that
25 service, that the usual provisions have to come into
26 effect -- that they cannot drop the service and get out
27 of the area without proper consideration to the people
who are depending on it.

28 Q. And I think those sections are in the
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2 Railway Act, to make that technical?

3 MR. MOFFAT: Yes.

4 Q. The point is you are not suggesting that
5 there should be any interference in management's pre-
6 rogative as to the type of service it provides to meet
7 the needs of its shippers or customers?

8 MR. MOFFAT: Not any new legislation, no; but
9 a more careful look when there is an application on the
10 basis of argument that they are losing money.

11 Q. Page 8, paragraph 28. You are speaking
12 there about items of inefficiency. You give an illus-
13 tration:

14 "...we would point to station agents drawing
15 full salary at points where passenger, express,
16 livestock and telegraph business is almost
17 completely lost to the railways and where
18 full carload lots of grain are the only
19 significant outbound shipments ..."

20 Now, Mr. Moffat, are you aware of the fact that
21 over the past two or three years Canadian National has
22 eliminated hundreds of these station agents and care-
23 takers in western Canada, and hundreds of station
24 buildings in an endeavour to economize on that?

25 MR. MOFFAT: Yes, we are quite aware this is
26 going on, and we agree this is a move in the right
27 direction, as long as you do not throw people out of work
28 without giving them a reasonable chance to find another
29 place to move into.

30 Q. You do not, then, have any particular
points you can point to where this situation is existing



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2 at the moment; do you?

3 MR. MOFFAT: We have a few in mind, but we
4 would prefer not to put them on the record, sir.

5 Q. I would tell you, Mr. Moffat, if you
6 would care to point them out, either on or off the
7 record -- because we are very interested in checking
8 that type of thing.

9 MR. MOFFAT: I think perhaps I can generalize
10 to this extent -- more on Canadian Pacific than on
11 Canadian National.

12 Q. Then, at page 10, Mr. Moffat, you are
13 speaking, in paragraph 34, of the commuter services,
14 and there you say, "The railways claim they have been
15 losing money on the commuter service but the users of
16 it have opposed either abandonment or a rate increase.
17 Consequently, the service is being continued at rates
18 which the railways claim to be continuing losses."

19 There are two points I would direct your
20 attention to, and I would ask you if you are aware of,
21 firstly, the fact that Canadian National within the last
22 three or four years, has abandoned a rather substantial
23 commuter operation in Montreal, between Montreal and
24 Vaudreuil, in Canadian National, was in a major way
25 abandoned and the service taken over by Canadian Pacific
26 in that area. And, also a major service in Quebec,
27 between Quebec and Ste. Anne de Beaupre, also abandoned;
28 and, also, a smaller service in the city of
29 St. Catharines, also abandoned. Were you aware of that?

30 MR. MOFFAT: No, we were not. We were aware
that this kind of thing was going on. We did think it



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2 was an important point to be made, because it applied
3 to the large eastern cities, where there was something
4 there that was of national concern.

5 Q. I think you will agree with that infor-
6 mation -- that there is some indication that a bigger
7 analysis of this situation has been going on, and has
8 actually been taken?

9 MR. MOFFAT: Yes, and what we say is, "Hop
10 to it".

11 Q. You say "More power to you"?

12 MR. MOFFAT: That's right.

13 THE CHAIRMAN: Mr. Macdougall, is that under
14 the Canadian National or Canadian Pacific Act, or quite
15 apart?

16 MR. MACDOUGALL: No, sir, this is strictly
17 on application to the Board of Transport Commissioners.

18 Q. Just for the record, in addition to the
19 increase Mr. Cooper spoke of, 10 per cent in the freight
20 rates in eastern Canada, which went into effect at the
21 beginning of this year, there has been a 100 per cent
22 increase in commuter rates, 1945 to 1956, and before
23 that, the 20 per cent increase. Were you aware of that?

24 MR. MOFFAT: No, but even if you add those
25 together, it is still less than the freight rate.

26 Q. In any event, I suppose you say, there,
27 "Continue on with the good work"; right?

28 MR. MOFFAT: That's right, yes.

29 Q. Now, Mr. Moffat, on page 15, paragraph 54,
30 the paragraph Mr. Hume referred you to and in which you
state that the railways should not be allowed to destroy



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2 truck competition, and I put these two thoughts to you:
3 Firstly, as you are aware, the railways have been
4 attempting for a number of years to effect economies
5 and give more efficient operation by substituting truck
6 service on the highway for rail service for l.c.l.
7 freight and baggage, etc.

8 I take it you would not be opposed to the
9 railways continuing to do this and endeavouring to get
10 the necessary franchises to enable them to do it this
11 way?

12 MR. MOFFAT: In principle, there is no
13 objection among the members of the association to the
14 railways operating trucks and getting franchises, but
15 there is very strenuous objection if they see it going
16 to the point where it looks like the railways are
17 creating a new monopoly by getting truck franchises
18 instead of railway franchises.

19 And, in this way, they feel most strongly
20 against this. So, up to a point, they will agree that
21 this kind of thing is desirable. But, once it gets
22 beyond a certain point and it looks like a new monopoly,
23 you will get even more vigorous opposition than before.

24 Q. You are not suggesting that a monopoly or
25 a near monopoly is approached now?

26 MR. MOFFAT: There are one or two areas where
27 people are beginning to look hard at it.

28 Q. But, basically, you agree that railways
29 should be allowed to effect economies by substitution
30 of service or companion service?

MR. MOFFAT: Up to the point where they start



1
2 creating a new monopoly.

3 Q. Just one other point. On pages 19 and 20.
4 Page 20. Mr. Smith requested the same information as
5 was earlier requested, including revenue per ton mile?

6 MR. MOFFAT: It is the identical information.
7 They were both taken from the same source. I could
8 just give you this. I have right here in front of me
9 the number of cars in each of these. In total, this
10 group we have is 17 cars.

11 Q. I think it might be fair to say that the
12 total of cars you were talking about in the grain move-
13 ment is three to four hundred thousand?

14 MR. MOFFAT: That is right. This is a sample
15 which indicates something like that -- 1700 cars,
16 because it is 17 cars on a 100 sample.

17 Q. In paragraph 70 you refer to a rate on
18 lumber from Moor Lake, Ontario, to Lachute, Quebec.

19 I have made a calculation of revenue per
20 car mile and per ton mile, and subject to your checking
21 it is correct, I would suggest that in that movement a
22 per car mile movement of 86 cents, and per ton mile
23 82 cents, which would be four times the ton mile on
24 the Crow's Nest rate?

25 MR. MOFFAT: I think that could be correct.
26 The point we are trying to make here is that the railways
27 are prepared to move this kind of traffic in relatively
28 small volume, and in unorganized shipments, and returns
29 per car about in line with what they are getting in
30 good steady grain.

Q. The return per ton mile, which is somewhat



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2 the same as the per ton mile, might be four times as
3 high?

4 MR. MOFFAT: Yes, and that is a good
5 indicator for some purposes, and the Crow rate is good
6 for other purposes.

7 Q. On top of page 20, the movement you refer
8 to from Outremont, Quebec -- the per car mile earnings,
9 91.9, and the per ton mile 2.36?

10 MR. MOFFAT: That is approximately correct.
11 I haven't checked them, but it sounds right.

12 MR. MACDOUGALL: Thank you very much,
13 Mr. Moffat.

14 THE CHAIRMAN: Mr. Sinclair?

15 CROSS-EXAMINATION BY MR. SINCLAIR:

16 Q. Possibly before I ask Mr. Moffat a question
17 or two, I could ask Mr. Ransom just a couple of questions
18 on matters which I think are out of the scope that you
19 intended you wished the questions be directed to you.
20 If this is not so, of course, you let me know, and then
21 Mr. Moffat can deal with them.

22 Mr. Ransom, there is competition for the
23 handling of farmers' grain at many shipping points in
24 western Canada, Manitoba, where there would be either
25 a Manitoba Pool and a U. G. G., and one or more of the
26 line elevator companies, all available for the farmers
27 to use in the shipment of their grain? That is
28 correct?

29 MR. RANSOM: Yes.

30 Q. Indeed, we have been told in these



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2 proceedings that the line elevator organizations
3 handle about 50 per cent of the western grain crop
4 and the U. G. G. and the Pools, the other half. Would
5 that be about right, as far as you would know it?

6 MR. RANSOM: Approximately, as far as I would
7 know it.

8 Q. You would agree, Mr. Ransom, that it
9 would not be in the best interests of the farmers or of
10 Canada if all grain handling facilities were taken over
11 by the government?

12 MR. RANSOM: Would I agree that that would be
13 best?

14 Q. I asked you you would not agree that it
15 would be in the best interests of the farmers and the
16 people of Canada if all grain handling facilities were
17 taken over by the government? Would you?

18 MR. MOFFAT: I do not think we could expect
19 Mr. Ransom to give a considered answer to that one this
20 quickly; it is so far off the subject.

21 THE CHAIRMAN: Well, where is it going,
22 Mr. Sinclair?

23 MR. SINCLAIR: Well, where it is going, sir,
24 -- I think I should have the opportunity of proceeding.

25 MR. SINCLAIR: Q. I take it that you do not
26 wish to answer that question?

27 Let me give you one to make it a little easier,
28 Mr. Ransom. Let me ask you this: You would agree that
29 it is best to allow the farmers to decide which crops
30 they will sow, how they will rotate their crops, when
they will allow their land to be fallow, and to strive

The first part of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and the plans for the future.

The second part of the report deals with the financial statement of the year. It shows the income and expenditure of the organization and the balance sheet at the end of the year. It also includes a statement of the assets and liabilities of the organization.

The third part of the report deals with the administrative work of the organization. It describes the various departments and the work done by each of them. It also includes a statement of the personnel of the organization and the results of the work done by each of them.

The fourth part of the report deals with the social work of the organization. It describes the various social projects and the results achieved. It also includes a statement of the personnel of the organization and the results of the work done by each of them.

The fifth part of the report deals with the future plans of the organization. It describes the various projects and the results achieved. It also includes a statement of the personnel of the organization and the results of the work done by each of them.

The sixth part of the report deals with the conclusion of the year. It describes the various projects and the results achieved. It also includes a statement of the personnel of the organization and the results of the work done by each of them.



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2 to be efficient, and make the most out of their oper-
3 ations that it is possible to make. That is a principle
4 you would support?

5 MR. RANSOM: Yes, up to a point, as long as it
6 is not interfering with the national interest.

7 Q. Do you think it interferes with the national
8 interest to allow farmers to run their own business?

9 MR. RANSOM: No, I didn't say that, but the
10 use of land, for instance, is something that I think
11 a national interest is involved in at certain times.

12 Q. And the national interest is best served
13 by letting independent farmers handle their own problems,
14 rather than, for instance, having state farms?

15 MR. RANSOM: I would say yes.

16 Q. Now, in the light of that, you would also
17 agree that the farmers should be allowed to deliver the
18 grain to the elevator of his choice?

19 MR. RANSOM: Yes.

20 Q. And if he was going to be allowed to
21 deliver it to the elevator of his choice -- if all
22 elevators were owned by the government, he would have
23 no choice; would he?

24 MR. RANSOM: No, he obviously would not.

25 Q. Then, would you like, then, in the light
26 of what our discussion is, to go back to that question
27 I put to you earlier, and that is you would not agree
28 that the best interests of the farmers and the people
29 of Canada would be served if all grain elevators were
30 owned by the government?



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2 MR. RANSOM: No, I don't think so; not at
3 the present time, anyway.

4 Q. You don't think they should all be owned
5 by the government at the present time. You read in
6 publications constantly about countries where railways
7 have been nationalized, and all railways in the country
8 are nationalized?

9 MR. RANSOM: I have read of it, yes.

10 Q. Do you know of any nationalized railway
11 system that has operated consistently at a profit and
12 paid income taxes to assist in the carrying of national
13 burdens?

14 MR. RANSOM: I don't know of it, no.

15 Q. It has been said, Mr. Ransom, that Canadian
16 Pacific has not had a successful year unless the income
17 taxes it pays meet the Canadian National's deficit:
18 have you ever heard that?

19 MR. RANSOM: No.

20 Q. Would you agree with it?

21 MR. RANSOM: No.

22 Q. Would you think that is not successful if
23 they have met the C. N. R. deficit?

24 MR. RANSOM: No.

25 Q. You said at page 14 - and this is a matter
26 that was drawn to your attention by Mr. Cooper - that
27 you would like to see the Commission make a study of
28 the advantages and disadvantages of both Canadian
29 National and Canadian Pacific being operated by the
30 federal government. My question to you is this: Do



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2 you think the study should also take into account the
3 advantages and disadvantages of both the Canadian
4 Pacific and the Canadian National being operated by
5 the Canadian Pacific?

6 MR. RANSOM: Yes, I think so.

7 Q. Would you also suggest that the study be
8 extended to an inquiry and full appreciation as to
9 whether the government should get out of the railway
10 business and sell the Canadian National Railway to
11 private investors? Do you think they should take a look
12 at the advantages and disadvantages of that?

13 MR. RANSOM: I would think so, yes.

14 Q. Would you agree, Mr. Ransom, that every
15 government in Canada since 1881 has expressed a preference
16 to have Canadian Pacific Railway operated as a private
17 enterprise rather than as a government enterprise?

18 MR. RANSOM: Yes.

19 Q. Your answer is "Yes"?

20 MR. RANSOM: Yes.

21 Q. I think, having dealt with those subjects
22 I would turn to a matter with Mr. Moffat, and I say to
23 Mr. Moffat that if I put any questions to him that he
24 feels he cannot answer, then I will quite understand
25 if Mr. Ransom answers.

26 Mr. Moffat, from your close association with
27 matters of interest as to what the railways are doing,
28 would you know that Canadian Pacific was the first major
29 railway in North America to establish the right to
30 operate diesel in freight and yard service without
firemen?



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2 MR. MOFFAT: That is correct, yes.

3 Q. Do you also know that Canadian Pacific
4 was the first major railway in North America to operate
5 rail diesel cars in multiple without firemen and with
6 restricted crews?

7 MR. MOFFAT: Yes.

8 Q. Would you also know that Canadian Pacific
9 has been most aggressively pursuing the elimination of
10 unprofitable passenger train services so that today
11 in western Canada practically all passenger train
12 service on Canadian Pacific has gone except on major
13 trunk lines - main lines - well, let us review them:
14 Winnipeg-Emerson; Pasqua-North Portal; Moose Jaw-Macklin;
15 Medicine Hat-Lethbridge and through the Crow; Lethbridge-
16 Calgary, and our train service from Winnipeg - the one
the company has now before the Board.

17 MR. MOFFAT: What is the question?

18 Q. Did you know this is a major reduction
19 in the passenger train services that were existing, say,
20 ten years ago?

21 MR. MOFFAT: Yes, we knew that has been going
22 on. We didn't know all the exact detail, but we knew
in general it has been moving in that direction.

23 Q. Aggressively?

24 MR. MOFFAT: I don't know. What does
"aggressively" mean in that direction?

25 Q. We will find out in a minute. Would you
26 also know that Canadian Pacific instituted the first
27 fully integrated merchandise service last year in
28 British Columbia of any railway in North America?



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2 MR. MOFFAT: No, I don't -- what is a fully
3 integrated service?

4 Q. Goods moved by road or by rail to give
5 the customer the best possible service at the lowest
6 possible cost.

7 MR. MOFFAT: I knew that kind of thing was being
8 done. I didn't know what you called it. Yes, that is
9 being done, and some of it here too.

10 Q. This was fully integrated involving
11 movements through Vancouver and through the same shed and
12 one pickup truck no matter whether it was moved by rail
13 or road or express?

14 MR. MOFFAT: We knew that was going on, and
15 the same comment applies that I made to Mr. Macdougall:
16 We are in favour of that as long as it does not carry to
17 a point where it begins to eliminate the competitive
18 truckers.

19 Q. Do you also know that the Canadian Pacific
20 and Canadian National Railways aggressively attempted to
21 secure efficient use of rolling stock by arranging for
22 quick unloads and loads ---

23 MR. MOFFAT: You are back to demurrage again.

24 Q. You knew that?

25 MR. MOFFAT: I knew they aggressively tried
26 to do something. I didn't know anything about the details.

27 Q. You have said you knew that Canadian
28 Pacific had closed some station agencies and reduced them
29 to caretaking, and eliminated some caretaking, and in
30 answer to my friend, Mr. Macdougall, you said you knew
of a number of places, and they were all on the Canadian



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2 Pacific - or most of them were on the Canadian Pacific -
3 where we had not been as aggressive as, in your view,
4 we should have been. I think, Mr. Moffat, that this is
5 a very serious matter and if your organization feels
6 that way about it we would like to know where they are,
7 and you can either give them to the Commission for deliv-
8 ery in confidence to the Canadian Pacific, or you can
9 give them to me in confidence and I will certainly see
10 that they are investigated, or you can put them on the
11 record here if you wish: Which would you like to do?

12 MR. MOFFAT: I don't think we will do any of
13 them. I think the position our organization wants to
14 take here is that this sort of thing should be done,
15 and that these superfluous personnel should be removed
16 from the costs that are being charged against freight
17 shippers; but, we are not suggesting that we should pin-
18 point one or another and say this or that should be done.
19 That is a job for railway management.

20 Q. Your suggestion was that the Canadian
21 Pacific Railway had not been carrying out their duty to
22 operate, and their management had not been efficient
23 in respect of the closing of station agencies: Where
24 are they?

25 THE CHAIRMAN: Well, I think you must excuse
26 Mr. Moffat from being a policeman.

27 MR. SINCLAIR: Well, he should not have made a
28 statement unless he is prepared to prove it, and I say
29 that he either says that he jocularly made the remark and
30 wishes to withdraw it, or supply proof to us or to the
Commission, and I would ask the Commission to so rule.



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2 MR. MOFFAT: Well, I agree the remark was
3 made jocularly, but I think, seriously, if you want a
4 serious statement on it --

5 MR. SINCLAIR: Q. I certainly do.

6 MR. MOFFAT: The discussion has been that in
7 general this kind of thing has been going a little faster
8 on the C. N. than on the C. P. Jocularly I exaggerated
9 the extent of it, but I think it is a careful statement
10 that it seems to be moving more rapidly on C. N. than
11 on C. P.

12 Q. And you have no specific instances that
13 you know of that you feel management has not been proper
14 in its duty in reducing expenses with regard to the
15 closing of station agencies?

16 MR. MOFFAT: No, not that they have not been
17 proper in exercising their own discretion. This is a
18 function of management. There are places where, if we
19 had been management, we would have exercised it
20 differently. But, this is not the function of an outside
21 organization.

22 Q. It is like somebody who happened to be a
23 lawyer from eastern Canada and who didn't know anything
24 about the farming community and the work that is done
25 who went to a town in Manitoba and he sat across the road
26 and watched what an elevator agent did: Would he think
27 that maybe he wasn't busy all day long?

28 MR. MOFFAT: He may think sometimes he wasn't
29 busy, but he would certainly think he was doing a lot
30 more than a station agent over a year.

Q. Maybe he would have to stay a year to find



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2 that out?

3 MR. MOFFAT: Maybe, yes, but I am sure he
4 would find it out.

5 Q. Is it your suggestion that station agents
6 are not the type of people who are doing their job to
7 the best of their ability?

8 MR. MOFFAT: Certainly they are. All we are
9 suggesting is that the job is not there any more, or is
10 not there to the same extent it used to be. They are
11 doing a very fine job and they are very fine citizens
12 of the community.

13 Q. And we can look forward in the railways,
14 and in the Canadian Pacific particularly, to the full
15 support of the Manitoba Federation of Agriculture when
16 we close station agencies and matters of that kind?

17 MR. MOFFAT: No, you can't.

18 Q. We can't?

19 MR. MOFFAT: But you can look for a more
20 sympathetic lack of opposition.

21 Q. Now, Canadian Pacific has suffered three
22 strikes in the last ten years in an effort to eliminate
23 waste and to prevent railway wages from getting out of
24 line, and in addition to those three strikes it has
25 carried two labour disputes through binding arbitration,
26 and in addition has been most active in conciliation
27 boards and labour matters: You know of that?

28 MR. MOFFAT: Yes.

29 Q. You also know this, that most senior
30 operating, executive and maintenance officers of
Canadian Pacific have appeared for months on end, year



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2 after year, before the Board of Transport Commissioners,
3 arbitration boards, royal commissions, parliamentary
4 committees, explaining in detail their maintenance
5 and their operations and have been cross-examined by
6 counsel from the provinces and from any other parties
7 who wanted to come to those proceedings to cross-
8 examine: You know that?

9 MR. MOFFAT: Yes.

10 Q. Now, in the light of that and the various
11 facts we have been discussing, would you agree with
12 me that the last sentence of the page 7 of your brief,
13 that the most important word in there is the word
14 "apparent" lack of effort -- the most important word
15 would be "apparent"?

16 MR. MOFFAT: That question was a fairly
17 lengthy one, and I think it deserves a fairly lengthy
18 answer.

19 Q. I am just asking you to read this last
20 sentence on page 7 of your brief.

21 THE CHAIRMAN: Well, he is answering you.

22 MR. SINCLAIR: Well, I don't think it was a
23 lengthy question.

24 THE WITNESS: I heard it, and I was looking at
25 the report for the purpose of refreshing my mind as to
26 the approximate total revenue of the C. P. R., and I
27 think this preamble to this question should be looked
28 at in the context of the size of the business we are
29 dealing with. We are dealing with a business which is
30 \$400 million or more per year. If you add the C. N.
to it, we are dealing with a business that is getting



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2 close to the \$1 billion a year.

3 MR. SINCLAIR: Q. Gross?

4 MR. MOFFAT: Gross. Now, a business of that
5 size is bound to spend a great amount of time negotiating
6 with its employees, negotiating or litigating with its
7 customers, and in general working over its relations
8 with everybody who is doing business with it, and,
9 consequently, I think we should give full credit to the
10 railways for the efforts they are making, but I don't
11 think we should be in the position of thinking that they
12 are forced to spend a disproportionate amount of their
13 time on it. I think the amount of time that has gone
14 into regulation of an industry of this size is not at
15 all out of proportion to the importance of the industry,
16 and I don't think it can be said that simply because
17 they are spending a lot of time that they are doing
18 effectively all that should be done. I think they are
19 doing good work where they are doing it. What we are
20 saying is that it is not as effective as we would like
21 to see it in those aspects, and we would like to encour-
22 age them to keep on more and more in that direction.

23 Q. I went through a few things with you about
24 firemen on diesels and matters of those kinds, and
25 about the strikes we had and matters of that kind, and
26 I am asking you whether, in the light of those circum-
27 stances, you still think the management of Canadian
28 Pacific is showing any lack of effort to eliminate
29 wasteful and inefficient practices?

30 MR. MOFFAT: What the brief says is that there
is an apparent lack; in other words, looked at from the



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2 outside, it is not going as rapidly as the farming
3 community would like to see it go in eliminating waste-
4 ful practices. Now, they are, I agree, working quite
5 steadily in that direction, and everybody is sympathetic.

6 Q. Well, the question I put to you a few
7 minutes ago was, that the most important word there is
8 "apparent" lack ...

9 MR. MOFFAT: Yes, I think possibly that is
10 correct.

11 Q. Your answer is "Yes"?

12 MR. MOFFAT: It is "an" important word. I
13 would not say it is the only word.

14 Q. Now on page 9 of your brief you deal with
15 passenger lines, and before we do that, so as we can
16 make the matter clear, I think it is your position,
17 and with this Canadian Pacific would agree, that
18 commuter services are something separate and distinct,
19 and they have to be treated separate and distinct from
20 passenger services?

21 MR. MOFFAT: And should stand on their own
22 feet.

23 Q. And should stand on their own feet?

24 MR. MOFFAT: Yes.

25 Q. We are in agreement with you. What I
26 am interested in, though, is this question of how the
27 passenger service can be made more remunerative in
28 respect of that part of it that is going to remain in
29 operation which, according to the evidence, insofar as
30 Canadian Pacific is concerned, is not going to be very
great.



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MR. MAURO: What evidence is that?

MR. SINCLAIR: Mr. Crump's evidence on the last day when you were not there.

MR. MAURO: Was this in cross-examination?

MR. SINCLAIR: Yes.

MR. MAURO: And it is not going to be very great?

THE CHAIRMAN: Well, there was an indication it may not be.

MR. MAURO: We are still awaiting with bated breath the information on passenger service.

MR. SINCLAIR: Q. What I am interested in is the views of you, Mr. Moffat, on behalf of the Manitoba Federation of Agriculture, because I think this is very important because of the organization that you are representing, and I am taking a little while with you because I think the grain growing people as well as the grain handling people have a lot to say to this Commission, particularly about issues that have been raised. Would your organization, the Manitoba Federation of Agriculture, support the elimination of the mandatory issues of free transportation that are set out in the Railway Act and other statutes of Canada?

MR. MOFFAT: I don't know what is provided in that regard.

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2 Q. Well, there are positions in the Railway
3 Act and in other federal statutes that make it mandatory
4 for the railways to issue free transportation. Let
5 me give you an example. All members of parliament
6 must receive free transportation from the railway.
7 Would your organization agree that in place of that
8 they should secure travel warrants, travel warrants
9 that would be issued by the government so that they
10 would be able to move as they wished to move, but under
travel warrants rather than move for free?

11 MR. MOFFAT: I think as far as I could go
12 in answer to that is that we think such a thing should
13 not be charged against the freight shippers. We think
14 it should be charged against the railway or the federal
15 government, but if the federal government wishes to
16 continue it, we would have no opinion.

17 Q. You certainly would think it is a matter
18 that this Commission should take a look at; we can
19 agree on that?

20 MR. MOFFAT: Yes.

21 Q. And should make appropriate recommendations
22 after looking at all the factors.

23 MR. MOFFAT: Yes, I agree with that.

24 Q. Furthermore, that the question of free
25 transportation to employees of the railways should be
26 looked at.

27 MR. MOFFAT: You will notice that we mention
28 free transportation to the employees. Our point of
29 view on that is that this is part of the remuneration
30 to the employees, and if the company decides to pay



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2 remuneration in that form, if it is part of an agreement,
3 or something of that sort with the employees, then it
4 is a question to be considered as part of the cost of
5 wages for those employees.

6 Q. Let us say it is not a part of any agree-
7 ment.

8 MR. MOFFAT: Then, it is up to railway manage-
9 ment to deal with it.

10 Q. But I suppose that it would be the
11 general position of your organization that the railways
12 might give some advantages to their employees by way of
13 free transportation, but not necessarily one hundred
14 per cent.

15 MR. MOFFAT: It is a question between the
16 company and the employees, just the same as the wages;
17 it is part of the remuneration of the employees and it
18 should be looked at in that light.

19 Q. That is not what you said in your brief,
20 Mr. Moffat, that is not what you said in the brief.

21 MR. MOFFAT: What we said in the brief is that
22 if it is done this way and it leads to losses on the
23 passenger service, then it shouldn't be charged up to
24 the freight rates; if it is part of the wage costs it
25 will have to be dealt with as that.

26 Q. Then it should be charged against all users
27 of transportation, freight as well as passenger?

28 MR. MOFFAT: If it is part of the wage costs
29 of moving freight, yes.

30 Q. That is not what the brief says, but that
is what you mean by that?



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2 THE CHAIRMAN: I think, Mr. Sinclair, it is
3 now 5.30 and we might adjourn now until 7.30, but we
4 don't want to restrict your examination at all.

5 MR. SINCLAIR: The Manitoba Federation of
6 Agriculture is a very, very outstanding organization,
7 and Mr. Moffat is a man who is very capable in these
8 matters and has done a lot of thinking about them, and
9 this brief is very carefully worded and, I think,
10 deliberately made provocative, but I certainly don't want
11 to restrict him in any way.

12 THE CHAIRMAN: We don't want to do that, but
13 I want to hear from the Farmers' Union and the Brandon
14 Chamber of Commerce.

15 MR. MAURO: I want to say, as much as
16 Mr. Moffat and my friend, Mr. Sinclair, that we would
17 like to carry on this exploratory foray, but our time
18 is limited and in fairness to the Manitoba Farmers'
19 Union and the Brandon Chamber of Commerce I think that
20 we should consider their feelings in this matter, too.

21 THE CHAIRMAN: We will adjourn, then, until
22 7.30.

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---Hearing adjourned at 5.35 p.m. until 7.30 p.m.



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2 ---On resuming at 7.30 p.m.

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4 MR. SINCLAIR: Q. The position of the Manitoba
5 Federation of Agriculture is that passenger train service
6 losses should be eliminated, if possible?

7 MR. MOFFAT: They should be eliminated "period",
8 as far as charges against freight traffic are concerned.

9 Q. I am reading from your brief at page 9.

10 MR. MOFFAT: Yes, they should be eliminated,
11 if possible, as far as the actual operation is concerned;
12 but if they are not eliminated as losses, they should
13 at least be eliminated from charging them against freight
14 traffic.

15 Q. And the only way that can be done would
16 be where the service was being maintained, according to
17 your position, in the national interest; that is, after
18 a hearing, and where there was a finding that the
19 passenger train service in question was required in the
20 national interest?

21 MR. MOFFAT: Then, we suggest, if that
22 happened, that the national treasury should make up the
23 loss.

24 Q. And if it wasn't in the national interest,
25 but in the local interest, then local treasuries would
26 make up the deficits, would they?

27 MR. MOFFAT: We applied that to the commuter
28 service.

29 Q. And it would also apply equally to any
30 other passenger service that was required in the local
interest?

MR. MOFFAT: We didn't discuss the question



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2 of local interest.

3 Q. Well, can we discuss it now?

4 MR. MOFFAT: We took the proposition that it
5 would only be maintained if it was in the national
6 interest.

7 Q. And you wouldn't contemplate passenger
8 train service being required in the local interest?

9 MR. MOFFAT: No, the brief doesn't deal with
10 it.

11 Q. I am not asking that. I am asking, would
12 you contemplate a passenger train service being required
13 in the local interest?

14 MR. MOFFAT: I would doubt it because a
15 passenger train service is likely to be over a fairly
16 long line, and there is likely to be more than just one
17 town or municipality involved. It is likely to be
18 spread over a fairly large area, and it would have to
19 be either a national consideration or part of the railway
20 operation.

21 Q. A national consideration or -- in other
22 words, two alternatives: National consideration or not
23 required -- or, profit?

24 MR. MOFFAT: I would think so, yes.

25 Q. Three?

26 MR. MOFFAT: Yes.

27 Q. If passenger train service was to be sub-
28 sidized, would you not think that considerable pressures
29 would develop to keep on passenger train services?

30 MR. MOFFAT: Well, those kind of pressures
develop, anyway, and I don't think the people who are



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2 back of pressure to keep on passenger trains -- I don't
3 think their pressure to have it done, if it was a govern-
4 ment subsidy, would be any greater than their pressure
5 is now when they know the railways are going to have to
6 pay for it.

7 Q. Knowing today the railways have to pay
8 for it, and the railways have to recover from freight
9 traffic and, in effect, they would have to bear some
10 part of indirectly in the goods they ship?

11 MR. MOFFAT: I don't think that has been
12 carried through logically to the point where people
13 take that into account when dealing with an application
14 in their own line.

15 Q. Would there not be pressures develop from
16 a matter of local pride to keep on a passenger train
17 service even though it was not required, for a stand-by
18 service - people like to have it?

19 MR. MOFFAT: Well, a stand-by service partic-
20 ularly, I agree there would be pressure for that.

21 Q. And that would be particularly so if the
22 subsidy was going to be from a federal government rather
23 than from a local government, because it is more removed
24 from the people?

25 MR. MOFFAT: More so if it was federal govern-
26 ment than local, that is right.

27 Q. Page 13 of your brief, and this has to do
28 with method of increases and general revenue cases. So
29 that I may understand this, and clarify it a little more
30 than it has been for the Commission, would it be correct
to say that what you really have in mind here in regard



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2 to increases flowing from general revenue cases is a
3 graduated increase related to distance?

4 MR. MOFFAT: I don't know what you mean; I
5 don't think so.

6 Q. Well, you are saying that it is your view
7 that costs in terminals have gone up more than line
8 haul costs.

9 MR. MOFFAT: Percentagewise?

10 Q. Yes, relatively, and therefore by using
11 the uniform percentage increase method the long haul
12 shipper, who would then of course have less terminal
13 service proportionately, your position is that he is
14 carrying more than the increase in costs would justify;
15 that is your position?

16 MR. MOFFAT: Yes, that is right.

17 Q. I am suggesting to you that in the light
18 of that position, what you have in mind would be graduated
19 increases related to distance?

20 MR. MOFFAT: No, I don't think so. I think
21 where this carries logically is to something of the sort
22 proposed by the provincial brief, but that there would
23 be a flat amount of some kind related to the originating
24 and terminating costs, which is there regardless of the
25 length of haul, plus a percentage applied to the line
26 haul.

27 Q. That would bear much more heavily on the
28 short haul shipper than a percentage increase?

29 MR. MOFFAT: Yes.

30 Q. As it has been applied in the past?

MR. MOFFAT: Yes.



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2 Q. And, for instance, the shipper of sugar
3 beets, under that kind of system, would carry a heavier
4 burden than he is doing at present.

5 MR. MOFFAT: It would hit hard on the short
6 haul people, like the sugar beets. On the other hand
7 those people do have a chance of some truck competition,
8 and they have protection of that sort; but, if it was
9 done that way I agree it would tend to go a little
10 heavier on people like that, of short haul, particularly
11 on heavy tonnage.

12 Q. Particularly on heavy tonnage?

13 MR. MOFFAT: Yes.

14 Q. And if it was applied on a graduated basis
15 related to distance, that would not hurt the short haul
16 shipper as much as the plan of 50-50 as advanced by the
17 province?

18 MR. MOFFAT: I don't know what you mean by
19 "graduated".

20 Q. Well, it would be a relation between the
21 length of haul and the increase to be put into effect?

22 MR. MOFFAT: Are you suggesting something like
23 20 per cent for up to 100 miles, and 15 per cent beyond
24 that and 10 per cent beyond 500 miles?

25 Q. You kind of shock me with the percentages
26 and the taper you put in them, but let us say it is
27 something like this: That it is 15 per cent for the
28 first 500 miles, and 13 per cent for the next 200 miles?

29 MR. MOFFAT: Certainly, the organization has
30 given no thought to that kind of a proposal, and personally
I haven't, either.



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2 Q. That is not what you were thinking about
3 on page 13?

4 MR. MOFFAT: What was discussed with the Board
5 of Directors of the organization was that there would
6 be something heavier on the short haul on the people to
7 reflect the increase in the terminal costs, but whether
8 it would be a few more cents or a little larger per-
centage, or how it would be done, was not discussed.

9 Q. It was not discussed?

10 MR. MOFFAT: No.

11 Q. On this matter of co-operation between
12 railway companies which you referred to in your brief,
13 one of the ways of co-operating, as indicated by
14 Mr. Macdougall with regard to the elimination of
15 commuter runs, leaving the Canadian Pacific in the
16 field alone; another example, I suggest to you, closer
17 to home, Mr. Moffat, would be the Canadian Pacific's
18 application to withdraw the service between Winnipeg,
19 Saskatoon and Edmonton and allow the main line of the
20 Canadian National to carry whatever business is in-
volved?

21 MR. MOFFAT: That would be an example, yes.

22 Q. Would you agree that is a pretty sensible
23 way to approach a matter such as where there are two
24 passenger trains operating, that you have made reference
to?

25 MR. MOFFAT: That is a sensible way to approach
26 it. I don't want to be pinned down to say we support
27 that particular application, because the group has not
28 considered that particular application. Proposals of
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2 that sort are quite reasonable.

3 Q. Fine. In regard to the western grain
4 movement to export positions, that is a movement of
5 crop as a whole into positions where it may be sold and
6 disposed of?

7 MR. MOFFAT: Yes.

8 Q. And it has to be looked upon as a whole
9 movement: Would you agree with that?

10 MR. MOFFAT: Yes.

11 Q. And in looking at it you would have to
12 consider not only the traffic that moved to Fort William,
13 but also the traffic that moved to Vancouver for export?

14 MR. MOFFAT: You have to look at it; you don't
15 necessarily have to have the same rate structure.

16 Q. Well, are you suggesting that the existing
17 rates at which the grain moves to export positions should
18 be changed to the farmer?

19 MR. MOFFAT: No, we are not suggesting that.

20 Q. Well, if they are not going to be changed
21 to the farmer - and that, as you know is the proposition
22 advanced by the Canadian Pacific and the Canadian
23 National, that there be no change in the rate paid by
24 the farmer - if the rate paid by the farmer is not to
25 be paid but the difference between that rate and whatever
26 may be determined as a just and reasonable level is to
27 become a national obligation, how would it affect the
28 farmer as your suggest in your paragraph 82?

29 MR. MOFFAT: What is concerning us in that
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2 connection is the longer run prospect, that if this
3 kind of a proposal is implemented, and if over a period
4 of a few years the subsidy is eliminated, if the
5 political pressures from various places on the national
6 treasury are such that the subsidy had to be eliminated,
7 then it will become an issue as to what was to happen
8 to these rates.

9 Q. Oh, yes.

10 MR. MOFFAT: And, therefore, if this Commission
11 in a finding dealing with any aspect of this, talks in
12 terms of a percentage change in the existing rates or a
13 percentage of the existing rates as the basis for the
14 subsidy, then they are, in effect, adopting the existing
15 rate structure with a percentage adjustment, and that
16 becomes a precedent for something in the future.

17 Q. It is the future rather than the present
18 that you are concerned with?

19 MR. MOFFAT: Well, the present application does
20 not propose any change in rates.

21 Q. So that the whole matter could be taken
22 care of by saying that if the rates to the farmer were to
23 be changed, that the question of the smooth progression
24 in the scale would require consideration.

25 MR. MOFFAT: That is almost word for word what
26 the brief says. The question you asked me is almost a
27 paraphrase.

28 Q. And your answer to that is "yes"?

29 MR. MOFFAT: Yes. I think I might give you
30 the paragraph reference; it is paragraph 84 and the final
sentence says: "If at the end of your deliberations you



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2 reach the conclusion that the grain rates are not paying
3 their way, then we ask that you take into account these
4 special features under which the position of Manitoba
5 farmers differs from those in the other two provinces."
6 This is the point.

7 Q. I have read that, Mr. Moffat. You have said
8 in your brief that the Manitoba Federation is not dealing
9 with the cost studies which have been filed by the railways
10 and you give the reasons for that, that they are going to
11 be dealt with by the western provinces and the pools and
12 the U. G. G. and the Line Elevator organizations?

13 MR. MOFFAT: Yes, that is right.

14 Q. And your Federation is quite content to
15 leave that matter with this Commission and with the
16 people that are going to deal with it who are allied
17 with the people you represent?

18 MR. MOFFAT: Well, I don't say they are content
19 to leave it that way, but there is no alternative. The
20 local provincial farm organizations are in no position
21 to have the technical job done that needs to be done
22 on that, and, consequently, they have no alternative but
23 to leave it with the technical organization that has been
24 set up.

25 Q. Let me put it to you, Mr. Moffat: In view
26 of the issues before this Commission, your organization
27 was completely satisfied with the personnel of the Com-
28 mission and the technical staff that does work for it --
29 they have no complaint about that?

30 MR. MOFFAT: No, no complaint about that.

Q. And you would agree, with your knowledge of



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2 of these matters, that there is a more detailed analysis
3 made of this problem in the present proceedings than
4 has ever been made in any cost analysis that you have
5 knowledge of?

6 MR. MOFFAT: In Canada?

7 Q. In Canada?

8 MR. MOFFAT: Yes. In the United States there
9 have been more detailed ones, but not in Canada.

10 Q. There have been, to your knowledge, more
11 detailed ones in the United States?

12 MR. MOFFAT: I think so. I haven't seen all
13 the detail that has gone into this one. Maybe there is
14 more gone into this than I thought there was - I don't
15 know.

16 Q. You said when Mr. Brazier was asking you
17 some questions that you agreed with him - or, that he
18 agreed with you finally - is my note, that rates on
19 lumber from British Columbia to Manitoba were too high?

20 MR. MOFFAT: Well, I can make a more general
21 proposition: All freight rates are too high.

22 Q. That is exactly what I wanted to find
23 out. In the opinion of your federation, are there any
24 rates that are too low?

25 MR. MOFFAT: Well, certainly not in Manitoba -
26 any of the ones that they pay, anyway.

27 Q. Are there any in western Canada?

28 MR. MOFFAT: I don't think we should try to pin-
29 point individual ones. There are some where there is
30 some complaint - not directly affecting the farm groups,
but affecting other interests; the transcontinental rates.



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2 Q. Other than those, do you know any body
3 of rates in western Canada that, in the opinion of your
4 federation, are too low?

5 MR. MOFFAT: We have, in addition, individual
6 groups that are concerned with various things. We have
7 the one brief that is associated with our group - the
8 sugar beet growers' brief which was put in, and they are
9 part of the federation group, and they make the point
10 that one agreed charge rate was too low to suit them.

11 Q. Other than that?

12 MR. MOFFAT: Well, I suppose you can carry on
13 and find individual ones who would like a higher rate to
14 protect a particular industry, but I can't think of any
15 at the moment.
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2 Q. Is it your position that the rates in
3 western Canada are just as reasonable in regard to
4 the fact that there is none of them being too low,
5 except the transcontinental rates to which you made
6 reference?

7 MR. MOFFAT: I made the general proposition,
8 though, that the farm groups all agree that they would
9 like the rate lowered; they are too high to suit them.
10 I don't think I can say they are just and reasonable;
11 they have been found to be just and reasonable by the
12 Board of Transport Commissioners, but that doesn't mean
13 that we agree with that.

14 Q. That doesn't satisfy the farmers?

15 MR. MOFFAT: No.

16 Q. Are the rates in the view of your associa-
17 tion too low?

18 MR. MOFFAT: I don't know.

19 Q. You don't know of any?

20 MR. MOFFAT: I say that I don't know one
21 way or the other. We haven't examined them.

22 Q. But you are sure, though, that the rates
23 in western Canada are too high?

24 MR. MOFFAT: Yes.

25 Q. And if the people in the maritimes also
26 take the position that the rates in the maritimes are
27 too high, would that surprise you?

28 MR. MOFFAT: No; I would think it would be
29 very strange if they didn't.

30 Q. And if the shippers in central Canada,
in Quebec and Ontario, also said their rates were too
high, that wouldn't surprise you either?



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2 MR. MOFFAT: No. As I say, it would be a very
3 strange thing if they didn't all think their own rates
4 were too high. It is pointed out to me that the shippers
5 in Ontario and Quebec have never complained to the
6 Board, particularly about freight rates.

7 Q. No, but they may have complained in other
8 places, though?

9 MR. MOFFAT: Yes, and very effectively.

10 Q. Do you think there is anything more
11 effective than the prevention absolutely of an increase
12 in regard to freight rates?

13 MR. MOFFAT: Yes, because there are instances
14 where by improving the techniques and making changes in
15 volume that call for a reduction.

16 Q. When you are dealing with the costs, one
17 of the things you must look at is the question of the
18 proportion of empty returns.

19 MR. MOFFAT: Yes.

20 Q. And the delay that the cars receive in the
21 carrying of the goods involved.

22 MR. MOFFAT: In proportion to the general
23 average, yes.

24 Q. All these matters are proper evidence for
25 investigation in cost.

26 MR. MOFFAT: Yes, and for comparison with other
27 goods.

28 Q. Mr. Dickson asked you about the domestic
29 grain rate. It was your position that the domestic grain
30 rates were paid by the farmers.

MR. MOFFAT: Yes, as a rule.



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2 Q. Notwithstanding the pricing mechanism
3 that was involved?

4 MR. MOFFAT: Yes. I gave a fairly long answer
5 which I think covers it.

6 Q. Did that summarize it properly?

7 MR. MOFFAT: Yes. I tried to distinguish
8 between the Ontario farmer and his own particular grant,
9 and the farmers as a group are realizing out of the
10 proceeds of wheat, and the total of the cost of the
11 domestic grain rates, I think, is paid by farmers as
12 a group out of the proceeds of the wheat.

13 Q. Now, if the population of Winnipeg
14 increased by 20 per cent, and the city thereby used
15 more flour, would that result in an increase in the
16 farmers' return for his wheat?

17 MR. MOFFAT: I don't think so, not under the
18 present marketing setup. It would help to get rid of
19 more wheat and therefore would put more money in his
20 pocket, but the price per bushel would still be pretty
21 well controlled.

22 Q. Now, in the domestic movement of commodities,
23 we have had examples here of assistance being given for
24 the shipment of coal, I think, to Alberta; from Alberta
25 to Ontario points and also to the west coast for export,
26 and we have had examples of assistance being given to the
27 shippers in the maritimes through the Maritime Freight
28 Rates Act, and assistance given to the shippers who are
29 moving certain commodities over the bridge - that is,
30 the traffic between eastern and western Canada - and
31 assistance given for the movement of feed grain.



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2 MR. MOFFAT: Yes.

3 Q. And your Manitoba Federation of Agriculture
4 supports this method of giving assistance, do they not?

5 MR. MOFFAT: Yes, they have no objection to
6 the type of subsidies that have been paid in the group
7 that you have enumerated, called the maritime freight
8 rate subsidy, and so on.

9 There are some of them that are much more
10 complicated than others, and the one that is closest to
11 home is the feed grain subsidy, and within the structure
12 of the market that we are dealing with in the feed
13 grain subsidy there are several different points of
14 view involved, and I think that it might just be worth
15 a minute to elaborate the position in respect to that
16 one a little bit.

17 The first effect of the subsidy on feed grain
18 is to reduce the price received by the feed consumer in
19 eastern Canada or in British Columbia, because they buy
20 at the established price plus transportation costs, and
21 their transportation costs are reduced and therefore they
22 get the grain cheaper and therefore it assists the
23 feed distributor, who presumably passes on some or all
24 of it to the feed consumer in the east and the west, but
25 at the same time it has the effect in western Canada
26 that it allows more of the feed grain to be moved out
27 of this area, because in the absence of such a subsidy
28 the chances are there would be more feed grain moved
29 in from the United States on a competitive basis, and
30 therefore it improves the competitive position of the
western feed producer, and to that extent the western



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2 feed producer benefits.

3 On the other side of that one, the western
4 livestock producer is harmed by his competitive position
5 with the eastern feeder, so consequently you have one
6 group gaining and another group losing, and the dis-
7 cussion is hot and heavy within these groups as to
8 whether it is a good or a bad thing. At the moment
9 there has been no statement of the position in the
10 opposition. At the moment the statement has been in
11 support, and I think that is the official position.

12 Q. The pool organizations were very active
13 to have this feed grain assistance subsidy implemented
14 and continued and expanded?

15 MR. MOFFAT: That is right, but within the
16 last two years the doubts have been getting stronger
17 and the support has been getting weaker.

18 Q. The point you are making would be this,
19 that subsidies should only be paid when there is a clearly
20 demonstrable requirement in the national interest?

21 MR. MOFFAT: Yes, that is the basis.

22 Q. Thank you.

23 CROSS-EXAMINATION BY MR. MAURO:

24 Q. I have one or two questions. Mr. Moffat,
25 Mr. Sinclair asked you about your proposal regarding
26 a possible alternative method of applying general rate
27 increases, and you mentioned that what you were support-
28 ing through the Federation was something similar to that
29 proposed by the province of Manitoba in their provincial
30 brief where it was suggested that the rate increase



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2 applied be cents per hundred pounds plus a similar
3 percentage increase, and it would have the beneficial
4 effect of receiving a little more revenue from the short
5 haul traffic and lessening the impact of large percentage
6 increases on the long haul traffic, and that the Manitoba
7 Federation was supporting generally that type of a
8 proposal for investigation.

9 MR. MOFFAT: Yes, that is right. A general
10 support, without having apparently discussed all of the
11 implications in support of something of that sort to be
12 approached.

13 Q. And my learned friend remarked that this
14 might have the effect of raising the rate on such
15 commodities as sugar beets in the short haul and, of
16 course, you recall that Premier Roblin in submitting the
17 brief on behalf of the province said that when the
18 substantive case is made in Ottawa that it would be
19 pointed out in great detail that the scheme required
20 modification on bulk commodities and low value commodi-
21 ties. My friend referred to the scheme that is some-
22 times called a graduated rate scale in mileage blocks,
23 and he suggested that it was perhaps 12 or 13 per cent
24 on the first 200 miles and then went down subsequently.
25 Have you ever heard of the Little formula; the formula
26 put forward by Professor Little.

27 MR. MOFFAT: No.

28 Q. It is a -

29 MR. SINCLAIR: The witness said "no".

30 MR. MAURO: I will just carry on.

MR. SINCLAIR: I thought it was his witness.



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2 MR. MAURO: Mine?

3 MR. SINCLAIR: You introduced him to the
4 Commission.

5 MR. MAURO: I don't think that Mr. Moffat
6 let on that he was my witness.

7 MR. SINCLAIR: I thought he was. I am sorry.
8 He is a good witness for anybody.

9 MR. MAURO: Yes, I am very pleased with him,
10 and I don't want to be restricted in my examination.

11 MR. SINCLAIR: I will take him as my witness.

12 MR. MAURO: I can cross-examine him.

13 MR. SINCLAIR: Go ahead and cross-examine him.

14 MR. MAURO: Q. The problem which I would like
15 your opinion on would be this: Do you use any graduating
16 scale and saying, for example, that the increase would
17 be 15 per cent on the first 200 miles and 14 per cent
18 on the next 200, and a graduating reducing scale down-
19 ward, hasn't that caused a great deal of discontent in
20 the area, and it happens to fall outside the arbitrary
21 demarcation of the percentage decrease.

22 MR. MOFFAT: I can see that would happen.

23 Q. But the scheme which Manitoba proposes
24 would be a fair division across the board in maintaining
25 the relative position of rates in the rate scale presently
26 in existence.

27 MR. MOFFAT: All that the point that was made
28 in the brief here was just to repeat what I said to
29 Mr. Sinclair, that there seemed to be justification in
30 some method of getting a little bit more of the increase
on a short haul traffic that had the terminal element on



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2 it, and lesser on the long haul.

3 Q. Then, my learned friend asked you about
4 the Manitoba Federation's concern with the method of
5 applying this increase to the rates on grain moving
6 to export points, and said that since no increase is
7 going to be asked under the railway proposal to the
8 farmer, what was the big concern. As you know,
9 Mr. Moffat, the president of the Canadian Pacific
10 Railway in his evidence made a statement that in the
11 light of existing conditions that Canadian Pacific is
12 not taking the position that the grain freight charges
to the farmer at this time be changed.

13 MR. SINCLAIR: Now, be fair and go on and tell
14 what he said at this time and what he said - this is
15 cross-examination - as to how soon he thought the farmer
would be able to pay it.

16 MR. MAURO: You say it.

17 MR. SINCLAIR: And that he had the same
18 problems with relationship to other items in the com-
19 munity and couldn't foresee that in the foreseeable
20 future.

21 MR. MAURO: Q. And the Manitoba Federation
22 takes the position that maybe Mr. Crump and the Canadian
23 Pacific Railway, or someone else, in the foreseeable
24 future, might decide he can pay it, and when that time
25 comes the Federation of Agriculture wants a rate scale
26 that properly reflects the position of the Manitoba
Grain group, vis-a-vis, the point of export.

27 MR. MOFFAT: The thing which we spoke of is
28 the time when this change come about will be determined
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2 by the \$2.20 price, and there is also the use of
3 economies, and that doesn't come from the prairies.
4 Mr. Crump says how soon it will happen, that is one
5 thing, but it is decided in the House of Commons, and
6 the price from the prairies is pretty small. I don't
7 think I can add anything to what Mr. Parker said yester-
8 day on that.

9 Q. One final point; this question of certain
10 rates that the Manitoba Federation feels are presently
11 in existence that may or may not be carrying their share
12 of the fully distributed costs, your association
13 hasn't the means to know where these rates are and
14 which ones they are, but you are suggesting to this
15 Commission that they make a full investigation to see
16 just where the burden really exists under the Canadian
17 freight rate structure.

18 MR. MOFFAT: That is right.

19 THE CHAIRMAN: Mr. Balch?

20 COMMISSIONER BALCH: For the record, paragraph
21 26 reads, "The outside observer looking at railway
22 operations cannot fail to see many practices which appear
23 to be inefficient use of either labour or equipment."

24 Then, if you go to paragraph 44 you will find
25 this, "In the past 15 years great strides have been made
26 in improving the long distance movement of freight
27 trains. Heavier locomotives, larger freight cars, less
28 servicing of diesels, block signals;" are you aware
29 that since the advent of diesels that the railroads
30 are operating with considerably less people?

MR. MOFFAT: I don't know anything about the



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2 figures, sir; we are aware that there are less on
3 staff, but whether they were layoffs or people who
4 retired and were not replaced, I don't know anything
5 about it.

6 COMMISSIONER BALCH: It is mentioned here
7 that we are losing dozens of operators, and with the
8 advent of better equipment and the fact that dozens
9 of inspection points have been cut out and many men
10 have been laid off; I think that should be noted.

11 MR. MOFFAT: The point you are making is that
12 that sort of thing is all to the good as long as it is
13 not dislocating anybody and it is worked in gradually
14 and the men have jobs.

15 COMMISSIONER BALCH: In other words, you want
16 to do it a little faster than it is being done?

17 MR. MOFFAT: Yes.

18 COMMISSIONER BALCH: You don't think it is
19 done fast enough; you don't have enough men laid off
20 at the present time?

21 MR. MOFFAT: I don't think anybody said any-
22 thing about laying men off.

23 COMMISSIONER BALCH: But I am bringing that
24 to your attention, that the railway has lost a good
25 many men because of the new equipment, and when they
26 put in the new equipment they try to see that it is
27 run efficiently and, of course, there is less labour,
28 that is the point.

29 MR. MOFFAT: I don't know to what extent
30 men have been laid off, but the point that is being
made here is that if this thing can be done more



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2 cheaply, let us get going in that direction and as fast
3 as we can reasonably make progress in that direction.

4 THE CHAIRMAN: I think we understand.

5 COMMISSIONER GOBEIL: Mr. Moffat, on page
6 8 in paragraph 27, you mention that the members of your
7 federation are not convinced that the railway operations
8 are fully efficient, but then you say that if you were
9 convinced, that your federation wouldn't object to paying
10 the necessary cost for an adequate determination of that.
11 Would that mean that if it was demonstrated that the
12 Crow rates didn't bring in an adequate return, that the
13 farmer would not be financially able to meet the increase
14 which will have to be made?

15 MR. MOFFAT: Well, I don't think that that
16 paragraph had any suggestion on that subject at all, sir.
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2 COMMISSIONER GOBEIL: You say that if it was
3 proved that there was money lost in the transportation
4 of that, that there would be no objection for the
5 farmers to pay the cost adequate to provide; if not so,
6 would that not mean that with financial aid they would
7 be able in principle to support it?

8 MR. MOFFAT: What we are trying to say in that
9 paragraph and in that sentence that the farmers agreed
10 that railway employees and railway capital should have
11 wages and returns in line with what other people are
12 getting for the same amount of service. We try to avoid
13 saying where the money would necessarily come from.
14 That particular paragraph does not make any suggestion
15 and tries to avoid making a suggestion as to where the
16 money will come from -- whether by subsidy, or whether
17 the farmers would be able to pay for it was left out of
18 that paragraph.

19 COMMISSIONER GOBEIL: Only one other question.
20 The lumber business, you said that for some reason --
21 paragraph 57, the end of page 15 -- you say, "For some
22 reason related to competition with United States lines,
23 the Canadian railways have established a rate from
24 British Columbia to Winnipeg which is less than the
25 rate from British Columbia to points west of Winnipeg."

26 Would that mean that you feel that this rate
27 is too low?

28 MR. MOFFAT: No, but the rate to Portage la
29 Prairie and MacGregor is too high. The rate to Winnipeg
30 is lower than the rate to Portage la Prairie or MacGregor
or Brandon, for some commodities.



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2 COMMISSIONER GOBEIL: The rate to Winnipeg is
3 lower than other rates west of Winnipeg?

4 MR. MOFFAT: Yes, the train comes through
5 from the west and through a tunnel, like MacGregor, which
6 is a 100 miles less than there, and the rate from there
7 is higher than if the train went right into Winnipeg.
8 We are objecting. We think it should be at least down
9 to the Winnipeg rate, and then the rate is too high,
10 at least in comparison with Toronto. We think the
11 whole thing should be down.

12 COMMISSIONER ANSCOMB: I am only going to
13 elaborate what my colleague here has just discussed here
14 with you, because I do not think your answer is clear.
15 It says very distinctly here, "if our farmer members were
16 convinced ..." Remember those two words "were convinced"
17 "...that railway labour and equipment was fully utilized
18 at all times in providing necessary transportation service
19 in an efficient manner, they would not object to paying
20 the cost of adequate wages and an adequate return to
21 those who provide the capital".

22 Now, as this is worded -- and I want you to
23 tell me because I want to know -- as that is worded, if
24 this inquiry and our investigation proves that things are
25 being used adequately, fully utilized, and the rate should
26 be so much higher, whatever it might be, you say they
27 would not object. Surely that must mean that they are
28 then able to pay?

29 Now, I am not saying so; you have said so --
30 unless you correct me?

MR. MOFFAT: Yes -- when you read it with that



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2 particular emphasis, I see it is open to that inter-
3 pretation. But it certainly was not intended that way,
4 sir.

5 COMMISSIONER ANSCOMB: That is what it says;
6 does it not?

7 MR. MOFFAT: When you read it that way, it is
8 open to that interpretation. It certainly was not
9 intended that way.

10 COMMISSIONER ANSCOMB: I am not asking you to
11 change it, but just confirm it.

12 MR. MOFFAT: What it was intended to say is
13 that they would have no objection to them being up, but
14 it did not intend to say who was going to pay them.

15 COMMISSIONER PLANT: In paragraph 49 -- I am
16 a little confused. I thought I understood when you
17 read it, but, in your sentence there, you asked us to
18 consider the advantages and disadvantages to the users
19 if both lines were taken over and operated by the federal
20 government.

21 Did you mean by "both lines" the whole shebang,
22 or did you mean road beds? You see, there is quite a
23 difference.

24 MR. MOFFAT: Mr. Ransom answered this question
25 on cross-examination, and the point -- I tried to para-
26 phrase what he said to you -- I will try to paraphrase
27 what he said to you -- the point is that in the country
28 meetings there have been a good many questions being asked:
29 Why is there not a good case for taking over the rates.
30 It is not just the road bed; it is the whole railroad
line, and this thing comes up enough times from the



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2 country members asking what are the advantages; what
3 are the disadvantages. This request was put in here.

4 COMMISSIONER PLANT: You mean nationalization
5 of the whole railway, not just the road bed?

6 MR. MOFFAT: Yes, but it is not suggested it
7 be done.

8 THE CHAIRMAN: You are just raising the question?

9 MR. MOFFAT: Yes.

10 COMMISSIONER PLANT: Some time, in answer, I
11 think, to Mr. Hume about trucking, you suggested that
12 -- if I recall correctly -- that it is more or less of
13 a physical impossibility. Did I get you right on that?

14 MR. MOFFAT: Yes, I think so. I added on --
15 without a very elaborate terminal setup and improvements
16 on road bed for highways beyond anything we have had.

17 COMMISSIONER PLANT: Have you seen truck
18 terminals in the gulf ports?

19 MR. MOFFAT: No, I have not.

20 COMMISSIONER PLANT: I should think you should
21 take a look into that before you confirm your view on
22 that.

23 MR. MOFFAT: We know we have here a fair volume
24 of movement into the United States of seed grain going
25 by truck, coming into various parts of western Manitoba,
26 and delivering into the middle western part of the
27 United States in big quantities, and it seems to be moving
28 reasonably freely. But that is a different thing than
29 talking about a hundred bushels going into the Lakehead.

30 COMMISSIONER PLATT: I am interested in what
the physical difficulties in this are. You say that there



1
2 are highways and unloading facilities?

3 MR. MOFFAT: Well, and the physical fact that
4 a train manned by four or five men will take one hundred
5 box cars without much trouble, but to take that amount
6 of grain, no matter how big the truck is, you have to
7 have at least one hundred drivers. That fact in itself

8 --

9 COMMISSIONER PLATT: Are you aware that even
10 in Canada substantial quantities of grain are moving
11 in distances 350 to 400 miles by truck?

12 MR. MOFFAT: Yes, yes.

13 COMMISSIONER PLATT: Is it not a matter of
14 physical difficulty, a matter of price?

15 MR. MOFFAT: Well, yes, you cannot really
16 separate it. A physical question is reflected, then,
17 in the price, and the price comes out as the final
18 answer, yes.

19 THE CHAIRMAN: Mr. Moffat, you are in fact
20 putting the railways to the strict proof of the grain
21 rates being non-compensatory? You are asking them to
22 establish them?

23 MR. MOFFAT: Yes, yes, only we are not putting
24 them to it. We are asking that they be put to it.

25 THE CHAIRMAN: You say the burden is on them;
26 you say?

27 MR. MOFFAT: Yes.

28 THE CHAIRMAN: If they discharge that burden,
29 and if there is, then, a subsidy -- if there is a subsidy
30 then, that subsidy will come from the federal government;
it is the only government that could subsidize -- would



1
2 that be payable; would that be on account of agriculture
3 or on account of the railways?

4 MR. MOFFAT: We have discussed this one. We
5 knew that somebody was going to ask this.

6 The basic position that we take is that it
7 should not be a subsidy to agriculture; that it should
8 be a subsidy to the railways, either for their maintaining
9 their road bed, or some part of keeping the railways in
10 operation; but, it should not be a subsidy to agriculture.

11 COMMISSIONER ANSCOMB: Mr. Moffat, I am sorry
12 to have to come back a second time, but my colleague,
13 The Chairman, put me into this position now.

14 If it is proved that rates now charged are
15 not sufficient to cover costs or anything else you might
16 like to put in it, as far as the railways are concerned
17 -- in other words, that they should charge more for
18 hauling that grain, how can it possibly be said that
19 it is a subsidy to the railroad or anybody else who
20 might move it? You might take it down in a canoe. The
21 fact remains you are going to subsidize people who
22 say they cannot -- let us assume they cannot pay their
23 freight bill. Now, one of your colleagues quite frankly
24 yesterday, when I discussed it with him, admitted that
25 that was a political problem. But, whether it is a
26 political problem or not, you use this language:

27 "There should be no attempt to conceal the
28 true facts by calling it some other name".

29 Now, surely, that if there is a subsidy of
30 that nature, it cannot be to the man who hauls the stuff;
it must be to the man who says he cannot afford to have



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2 it hauled, so he asks somebody else to help him pay
3 his hauling bill, and that is done.

4 Would you clear my mind on that, because,
5 to me, that is very important. And I am not discussing
6 politics -- whether it is a political issue or not,
7 I don't want to know anything about politics.

8 MR. RANSOM: Well, Mr. Chairman, I will stick
9 my neck out once more, and probably get it chopped off.
10 But, I think our position, as farmers, in regard to a
11 subsidy -- that is, if it was decided that a subsidy
12 must be granted the railways, that we did not want
13 this subsidy to be granted as a subsidy to the western
14 grain producer, because we feel certain there are losses
15 involved over the whole railway operation, because I
16 think there are two good reasons: One is that we do
17 not feel that this subsidy would continue to be paid by
18 the government, regardless of what government it might
19 be. We feel we would not be paying the subsidy ourselves,
20 and if it is regarded as a subsidy to western agriculture,
21 it would definitely not be popular with the rank and
22 file of the taxpayers.

23 The other point is that if it was acceptable
24 down through the years that this subsidy would be paid
25 year in and year out, we fear that agriculture, should
26 other forms of assistance be deemed necessary, that cost
27 of the large subsidy, we might be tagged with. We would
28 lose out in other respects. Now, I do not know whether
29 that is very clear or not, but --

30 THE CHAIRMAN: Thank you, Mr. Moffat.



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2 SUBMISSION OF MANITOBA FARMERS UNION

3 MR. MAURO: The next submission will be made
4 on behalf of the Manitoba Farmers Union by the president,
5 Mr. Rudy Usick.

6 MR. USICK: Thank you very much, Mr. Mauro.

7 THE CHAIRMAN: I think perhaps we will have
8 a five-minute recess.

9 ---A short recess.
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USICK, Rudy, called.

MR. USICK: Mr. Chairman and gentlemen: As elected officers of the Manitoba Farmers Union, we make this submission to you on behalf of the 20,000 farm people in Manitoba who constitute the largest direct, annual dues-paying farm membership organization in the province. The Manitoba Farmers Union is representative of 350 active local organizations, composed of a democratic setup of local, subdistrict, district and provincial organizations.

At the outset, Mr. Chairman, we would like to express our appreciation for the opportunity of appearing before your Commission to place before you some of the viewpoints so important to the farm people of our province. We also wish to compliment the Commission for undertaking this very important investigation which we believe will have major consequences of economic and political nature, and which will play an important role on behalf of the millions of Canadian citizens. It is our belief that this Commission is necessary in the interests of both the provincial and federal levels, and we are certain that the public will be patiently waiting the final report of your studies.

We think that hearings of this kind which have opened in Winnipeg, are particularly useful to afford the Commission a first-hand impression of the public's concern, coupled with pertinent statistics and facts on the entire freight rate problem which various groups will be presenting in the form of briefs.

Because of the limited resources of our



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2 organization, we believe you will appreciate that it is
3 not possible for us to present to your Commission an
4 extensive, technical and costly submission.

5 However, during the ten years of our existence,
6 our delegate body attending MFU annual conventions and
7 local meetings across the province, have continuously
8 expressed concern over the constantly increasing freight
9 costs that farmers face from day to day.

10 Farmers in western Canada are concerned over
11 the impact of transportation costs to a greater extent
12 than any other freight payers in the nation. We believe
13 that farmers are one of the few classes of people who are
14 forced to pay freight both ways -- on their own products
15 to market and on the products they consume and on com-
16 modities and services they use.

17 Furthermore, because of the location of our
18 province, situated as it is in the middle of the contin-
19 ent, freight costs generally include long movements
20 from the major manufacturing centers in Canada. Likewise,
21 because of the limited population of the prairies, the
22 major amount of our products must be shipped to either
23 Ontario or Quebec for ultimate consumption, not to
24 mention the vast portion of our food products which go
25 abroad on the export market.

26 Because of the political composition of Canada,
27 prairie farmers have been artificially forced to trade
28 east and west and are not able to take advantage of the
29 more economic markets practically on our doorstep to
30 the south. This is the responsibility of the nation as
a whole, and no doubt is one of the primary reasons for



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2 decisions made by our federal government in the past
3 giving extensive assistance to our railroads.

4 When the announcement was made that your
5 Commission was being set up by the federal government,
6 farm people in western Canada were lulled by a promise
7 from our Prime Minister that the Crow's Nest Pass rates
8 were the Magna Carta of the western farm people and that
9 the present government would not allow anyone to inter-
10 fere with it. When your Commission hearings opened in
11 Ottawa, we were shocked by the bold and outright declar-
12 ation from the Canadian Pacific Railway that their major
13 interest in the Commission would be an attack to abolish
14 the Crow's Nest agreement.

15 When the hearings opened in Ottawa early in
16 December, we were quite concerned that this railway
17 Commission, set up to look into "all aspects of the
18 transportation problem", was going to concern itself
19 with the Crow's Nest rates as a separate item.

20 The interim report on alleged grain rate
21 inequities, requested by the C. P. R., would have com-
22 pletely changed the original intention of setting up a
23 Royal Commission to look into the entire freight rate
24 problem. Your Commission is to be congratulated,
25 Mr. Chairman, on your decision to issue no interim
26 report on that matter until the whole transportation
27 rate problem has been investigated.

28 We contend, Mr. Chairman, that the terms
29 of reference set up by order-in-council which require
30 "a comprehensive and careful inquiry into problems
relating to railway transportation in Canada and the



1
2 possibility of removing or alleviating inequities in the
3 freight rates structure", will provide adequate scope
4 for an exhaustive study of the railway problems which
5 will require a great length of time for proper analysis.
6 We suggest also that many inequities in freight rates
7 will be uncovered, if a thorough study is made.

8 Unfortunately, the railways have spent much
9 time (estimates range in excess of 250,000 man-hours)
10 on one aspect -- the Crow's Nest Pass rates -- but
11 maintain that it would take years to delve into other
12 problems such as passenger service, agreed charges, rail
13 labour cost studies, assets and earnings from non-rail
14 operations, branch line traffic, "piggy-back" traffic,
15 petroleum traffic, truck competition, etc., just to
16 mention a few. However, unless a thorough study is made
17 of all these aspects, the terms of reference to the
18 Commission will not be met.

19 Having said this, our organization was quite
20 concerned about publicity emanating from Ottawa follow-
21 ing your last sitting (January 27) that it would be
22 "unrealistic" for the railroads to spend eight months to
23 a year in furnishing data to complete a full cost
24 study of the whole railway rate structure.

25 We believe that such a study is of the utmost
26 importance, because the entire Commission findings may
27 prove to be prejudged on an inadequate basis, if
28 proper cost studies are not available on the whole rail-
29 way rate problem and if proper cross-examination by
30 provincial counsels is not allowed.

 We want to say at this time, Mr. Chairman,



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2 that we have complete confidence in you and in the members
3 of your Commission. We feel certain that you are approach-
4 ing this problem with an open and unbiased mind. We are
5 also aware that railway rates are a most complicated
6 problem, and many of the expert technical men involved
7 disagree themselves as to costs, problems, solutions,
8 etc.

9 Our organization therefore urges that your
10 Commission take sufficient time for a proper analysis,
11 and not be hasty in any of their decisions. We think
12 that much of your work can be facilitated by adequate
13 data being provided by both the railways concerned and
14 by counsel for the provinces.

15 If the technical and research staff employed
16 by your Transportation Commission will be charged with
17 the responsibility of examining the question of railway
18 costing and gathering such information as it considers
19 proper, rather than the railways presenting a full cost
20 study on the whole transportation problem (similar to their
21 costing analysis on the Crow's Nest rates), we would
22 be concerned that any one of the following conditions
23 might arise:

24 1. A full and comprehensive report on cost
25 studies on the whole railway rate problem would not be
26 carried out.

27 Reason -- We think the railways involved are able
28 to bring in a more comprehensive report because they are
29 the people in the actual transportation business.

30 2. If a full report were made, it would take
longer than if the railroads prepared it.



(Same reason as above.)

3. If the Transportation Commission staff prepared the cost study, would legal counsel for the provinces then have an opportunity for cross-examination?

THE CHAIRMAN: Well, Mr. Usick, you address that question more or less to the Commission, and I think I should tell you just what the situation is. Applications were made by provincial counsel, Mr. Frawley and Mr. Mauro, for a cost study, which we regard as very important. We have, as I indicated at the first day of the meetings here, a very good staff. We have men who are statisticians and who are consultants in the matter of costs and they are working, but there is one peculiar thing I have found out, that you cannot get the right type of man to work for you if you are going to betray confidence by turning over information he has given you for your use, and yours only, and I say we could not give this information to the provinces without giving it to the railways as well. The trouble and was that the application was made by the provinces, /as nearly as we could find out, the shortest target date for a report such as was requested would have given us six months to eight months. Now, I have lived long enough to know that when six to eight months is given that that usually means a year to eighteen months, and that would mean we might as well adjourn the whole hearings until that report came in and then go on with this examination and cross-examination all over again. You gentlemen have been in this room during the past three days, and you can see what a number of lawyers can do in



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2 the matter of examination and cross-examination - and I
3 am a lawyer myself, and I have been to blame on occasion.
4 However, this was the decision of the Board and I will
5 read it to you:

6 "The Commission has given the most careful and
7 serious consideration to the submissions of
8 counsel for the provinces, the grain trade
9 and the railways in connection with the several
10 applications and motions before it for the
11 production of cost data.

12 The Commission is conscious of the fact that it
13 would be unrealistic, having regard particularly
14 to the time involved, to order the railways to
15 produce all the detailed cost data requested for
16 the examination and use by the applicants within
17 the framework of the present proceedings.

18 However, the Commission is determined that in
19 the course of its work under its terms of refer-
20 ence, and with the aid of its technical and
21 research staff, it will examine the question of
22 railway costing as fully as possible and will
23 make such use of the information it gathers as
24 it considers proper, having regard to the
25 interests of all parties concerned.

26 With these considerations in mind, and giving the
27 assurance that the Commission will deal to the
28 extent that it is reasonably practicable to do
29 so with the subject of costing, the Commission
30 has unanimously decided that the motions and
applications should be denied except as provided



1
2 "in the next succeeding paragraph.

3 The Commission understands that the experts for
4 the railways and the grain trade have been in
5 consultation with reference to the furnishing of
6 the information sought by Mr. MacKimmie on
7 behalf of his clients. In view of the pro-
8 gress which we understand is being made, the
9 Commission reserves its decision on
10 Mr. MacKimmie's motion made on December 4th,
11 1959, and in the event that any difficulties
12 arise, that matter can be referred to us again
13 for further consideration."

14 But the point of the matter is that we are
15 most anxious to search for the truth of this whole busi-
16 ness and we are trying honestly to do it. We are not
17 trying to be hasty. We are trying to do a thorough job,
18 and we are not going to disrupt things any further by
19 making information available to the provinces and the
20 railway and thereby extending these hearings months
21 beyond any reasonable time.

22 None of us lightly took on the job of serving
23 on this Commission and we don't want it to last a life-
24 time. We are interested in Canada, all of us, from one
25 end of the country to the other. We are concerned with
26 preserving the unity of Canada and we all know how
27 explosive the transportation costs and charges are,
28 and we are not going to do anything which will disunite
29 the country which means so much to all of us.

30 That more or less answers the question you
have put up.



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2 Mr. Frawley, in Ottawa, requested the same
3 as you did in the third question there, that we make
4 available all information for cross-examination. Well,
5 we could not make it available to the provinces without
6 making it available to the railways, and we could not
7 make it available to either without betraying the
8 confidence of those experts we have engaged, and we
9 have had to do what is fair and honest and best in
10 accordance with our terms of reference. We have shut
11 no doors, but at the same time I could not promise and
12 did not promise, on behalf of the Commission, and do
13 not now, other than that we are not shutting any doors,
14 but we are not making available all the confidential
information obtained by the Commission.

15 MR. USICK: I realize, Mr. Chairman, and I
16 read the decision which you gave in Ottawa prior to
17 the drafting of this submission, and in no way did our
18 brief mean to say that we did not have the fullest
confidence in yourself and the members of the Commission.

19 THE CHAIRMAN: Well, this was the unanimous
20 decision of the Commission, and it was done in the
21 best interests of all concerned, and it is not because
22 we don't want to help the provinces or anybody else,
23 but because we felt we had to go about things in a proper
manner.

24 MR. USICK: I wonder if I may be so forthright
25 to suggest that in view of the fact the C. P. R. has
26 presented their cost analysis of part of the railway
27 system, meaning the Crow's Nest rates, that perhaps
28 the mistake was made originally in allowing them to



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2 present that without having the whole cost analysis
3 presented in cross-examination by the parties.

4 THE CHAIRMAN: Well, they presented their
5 cost analysis and their witnesses in that regard have
6 been stood over until some time in April, giving the
7 provinces and giving the grain trade an opportunity
8 to study all that evidence during all that time and
9 be able to cross-examine in April, and with the infor-
10 mation that we will, as a Commission, be able to get
11 from our own staff and our own experts, we will be able
12 to ask such questions as are proper as well of the
13 witnesses who are called.

14 MR. USICK: I don't want to labour the point
15 any further, Mr. Chairman. I think we have put our
16 position clear on the record, in the brief.

17 THE CHAIRMAN: Well, I just wanted to make
18 clear the thinking of the Commission.

19 MR. USICK: If I may proceed, Mr. Chairman.
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2 Only if everyone concerned is able to add up
3 all the costs, in a comprehensive study, can we ascertain
4 what the proper relationship is between grain rates, agreed
5 charges, passenger traffic, and other related problems.

6 If the C. P. R. and the C. N. R. are honestly
7 concerned with getting to the root of the freight rate
8 difficulties, then they themselves should be as co-
9 operative in their investigations into various aspects
10 of the railway rate problem as they have been in amass-
11 ing details regarding the Crow's Nest Pass rates. Other-
12 wise, there is only one conclusion to draw: That is,
13 that the railways are chiefly concerned with breaking
14 the Crow's Nest Pass agreement and all other matters at
these hearings are of secondary importance.

15 We are sure that your Commission is quite
16 familiar with the history of this agreement; however, we
17 would like just briefly to outline some of the general-
18 ities.

19 In 1897 the Canadian Pacific Railway volun-
20 tarily entered into agreement with the Canadian govern-
21 ment, to build a line from Lethbridge, Alberta, through
22 the Crow's Nest Pass to Nelson, British Columbia, on the
23 basis of a subsidy of \$11,000 per mile. Total cash
subsidy in this case was \$3,404,702.

24 The government of British Columbia at that
25 time, also anxious to obtain the rail line, gave a grant
26 to the company of 3,755,000 acres of land, inclusive
27 of mineral rights, which have materially contributed to
the railway's financial growth.

28 The original agreement, as is well known,
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2 required the railway not only to transport grain at reduced
3 rates, but also to ship specified commodities important
4 to agriculture, such as farm implements, furniture, roofing,
5 paints, glass, all kinds of wire, binder twine, fresh
6 fruits, etcetera, from eastern Canada at a reduced rate of
7 33 1/3 per cent.

8 Today the original Crow's Nest Pass agreement
9 is still in effect in amended form. Its operation was
10 suspended in 1918 under the War Measures Act, which was
11 justified before parliament and the people of Canada as
12 a temporary measure to meet an emergency situation.

13 Nevertheless, when the time approached for lift-
14 ing the suspension, the C. P. R. made every effort to
15 have the agreement abolished entirely or, at least,
16 to have its suspension prolonged.

17 This fight by the C. P. R. met with consider-
18 able success in 1925 when it was taken before parliament
19 and resulted in an amendment to the Railway Act, the
20 effect of which was to cancel the Crow's Nest Pass
21 rates on all commodities other than grain or flour, but
22 to extend the rates to cover all branch lines built by
23 the C. P. R. since the signing of the agreement and also
24 to cover all the C. N. R. lines hauling grain.

25 The passing of these amendments in 1925 was a
26 tremendous blow to the farmers of western Canada. In
27 layman's language, the farmers overnight lost almost
28 half the benefits of the agreement.

29 We note that the Canadian Pacific Railway has
30 continuously striven to destroy this legal agreement
31 with the people of Canada, with only one interest in



1
2 mind -- to secure bigger profits and dividends for its
3 shareholders.

4 When the Canadian Pacific Railway was established
5 under federal legislation in 1881, the Canadian parlia-
6 ment at that time extended to the company an imposing list
7 of material benefits which were much more extensive than
8 those later granted under the Crow's Nest Pass agreement.
9 These benefits were given to the company in connection
10 with the building of the transcontinental rail line.

11 The basic subsidy was comprised of 25 million
12 dollars in cash and 25 million acres of land. Utmost
13 care was taken to assure that the land should be of good
14 quality. The company was not required to accept any land
15 that was not thoroughly fit for settlement. Instances have
16 been reported wherein the company methodically declined
17 to accept land in certain areas because it did not come
18 up to the necessary standards. In later years,
19 substantial wealth was reaped from some of this land
20 through the discovery of oil and other minerals. Also
21 granted were lands necessary for the construction of main
22 and branch lines, for stations, station yards, freight
23 yards, workshops, docks and other structures.

24 The Dominion Bureau of Statistics, public
25 finance and transportation division, in its report of
26 August, 1959, on the Canadian Pacific Railway, 1923-1958,
27 points out quite clearly the total aid given to the
28 Canadian Pacific Railway company and other companies
29 now comprising the system to December 31, 1958:

30 ---cash subsidies and expenditures on construc-
tion from the federal government - \$88,437,180; from



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2 provincial government - \$12,455,303; from municipal
3 government - \$5,261,064; or total subsidies of
4 \$106,153,547.

5 Land grants from the federal government totalled
6 32,848,477 acres; provincial government - 11,114,069
7 acres, or a total land grant of 43,962,546 acres.

8 This tremendous wealth of patronage and priv-
9 ilege, extended to the C. P. R. owners since the road's
10 origin, removes it completely from the category of an
11 ordinary private enterprise which it professes to be.

12 The attacks being made by the Canadian Pacific
13 today on the Crow's Nest agreement do not correspond with
14 attitudes of former presidents of the corporation.
15 Sir William Van Horne, an early president of the C. P. R.
16 and a signatory to the agreement, and Lord Shaughnessy,
17 who later became the railway's president, both were enthu-
18 siastic about the agreement because it saved the C.P.R.
19 from bankruptcy. Sir Edward Beattie, a later C. P. R.
20 president, said in 1938: "I have always thought Sir
21 William Van Horne was 100 per cent right. I think he
22 went into that agreement with his eyes open and undoubtedly
23 made a good bargain. I think he made a good one, both for
24 the country and the railways".

25 The Turgeon Commission, in its report tabled in
26 1951, said: "It is estimated in this presentation by
27 the C. P. R. that the Crow's Nest Pass rates on grain and
28 flour have always been a burden either upon the railways
29 or upon the shippers and consignees of other commodities.
30 The company's assumption in this respect is not borne
31 out by the facts. During the first period in the history



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2 of the Crow's Nest Pass rates, that is, from the coming
3 into force of the agreement of 1897 in 1898, these rates
4 cannot be said to have been a burden on anybody.

5 "After having been in effect for about four
6 years, they were reduced by the company itself in 1903 to
7 the lower competitive level, which remained in force for
8 about fifteen years; that is, until the competition came
9 to an end in 1918. The competitive rates would have
10 prevailed throughout this long period even if the Crow's
Nest Pass agreement had never been made."

11 In 1956, it was reported that Kenneth H. Brink,
12 C. P. R. research officer in sworn testimony to the
13 Transport Board, said: "Normally we depend on a good grain
14 year for good net earnings." Is this not an indication
15 that transportation of grain plays a vital role in the
16 financial position of the railways?

17 Furthermore, if the Turgeon Commission report
18 of 1951 stated that the Crow's Nest rates were profitable,
19 why should they be otherwise today, when dieselization
20 and reduction in operating costs have made it possible
21 for the C. P. R. to haul loads double to those known
during the steam engine era?

22 Dieselization: A Montreal staff writer for
23 "The Financial Post", in the July 11, 1953, issue, clearly
24 set out the savings that the C. P. R. has gained through
dieselization.

25 In some cases, the returns from the new diesels
26 have been running at a rate high enough to repay the
27 initial capital cost in five years or less. In the first
28 full year of operation on the Calgary-Revelstoke run,



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2 over the steepest grade of the Rockies, the sixty power-
3 ful road units assigned to this section chopped operating
4 costs (fuel, wages, maintenance and repairs) by a gross
5 amount of \$3.5 millions -- that was a saving on the
6 order of 45 per cent.

7 Higher interest and depreciation charges on the
8 new equipment would trim this reduction considerably, but
9 the return on investment still ran about 15 to 20 per cent.

10 From September, 1950, to September, 1951, the
11 first full year of conversion from steam to diesels on
12 the Schreiber division in northern Ontario, operating
13 costs were cut by \$3.7 millions - a saving in the
14 neighbourhood of 50 per cent, with the return on invest-
15 ment totalling an impressive 25 per cent. On the
16 Schreiber division, fuel savings alone amounted to some
17 \$2,250,000, or over 60 per cent. These two points, in
18 our opinion, are important because they bring out the
19 actual impact, not only on savings, but also of the vast
20 expansion in new rolling stock.

21 Branch Line Operations: The vast areas of
22 western Canada mean many, many miles of track. Small
23 towns and villages have traditionally been built along
24 these connecting routes on the railroad.

25 The larger the expansion of the small towns,
26 the larger the business of trade to the railroads. The
27 very lifeblood of the towns was dependent on the daily
28 or semi-weekly train. All the goods and services required
29 by the town in the form of mail, passengers, coal,
30 groceries, petroleum, lumber, grain shipments, etcetera,
came in and went out on the main highway of travel -- the



1
2 railroad. Today the railways have lost most of this
3 trade because of their high freight charges and irregular
4 service.

5 Branch line expansion was highly competitive
6 between the C. N. R. and C. P. R., and there was also the
7 threat of expansion of railroads from the south. No one
8 suggested that the federal government should be respon-
9 sible for branch line construction, to open up the country
10 for settlement, as was the case with the main lines.
11 Branch line development was undertaken as part of
12 C. P. R. policy to secure a greater share of the lucra-
13 tive trade at the time.

14 The arguments used by railway counsels today are
15 not the same as governed railway policy in earlier years
16 on this branch line construction issue.

17 The C. P. R. knew about the Crow's Nest Pass
18 agreement; they also knew the agreement was "in perpetuity"
19 -- but they still built the branch lines. We understand
20 that some 3,000 miles of branch line costs are subject
21 to C. P. R. cost analysis and charged to the Crow's Nest
22 rates. This is contradictory to the original policy of
23 the company at the time of construction of the branch
24 lines.

25 Freight Rate Increases: We believe the
26 Canadian Pacific Railway is the only private corporation
27 in Canada which is guaranteed by law, or regulation of
28 the Board of Transport Commissioners, a fair return on
29 investment. This is done by formal presentations, at
30 public hearings, to the Board of Transport Commissioners
whenever the C. P. R. or C. N. R. decides that rates are



not high enough to pay expenses and at the time to provide a "reasonable" return on investment.

Manitoba farmers, in fact most businesses, would be delighted if they too were assured of such a position.

The table which follows indicates the difference between agriculture as a business, and the railways:

- 9 -

Freight Rate Increases	Price Index of Commodities and Services used by Farmers -DBS (Western)	Index numbers of Farm Prices of Agricultural Products - DBS (Manitoba)
Rate Base 1948 100		
1948 -- 21% = $\frac{21}{121}$	190.2	259.6
1950 -- 20% = $\frac{24.2}{145.2}$	207.0	274.4
1951 -- 12% = $\frac{17.4}{162.6}$	225.5	301.6
1952 -- 4.5% = $\frac{7.2}{169.8}$		
1952 -- 9% = $\frac{15.2}{185.0}$	224.0	266.8
1953 -- 7% = $\frac{12.9}{197.9}$	238.6	245.3
1956 -- 7% = $\frac{13.8}{221.7}$		
1956 -- 4% = $\frac{8.8}{230.5}$	243.3	227.0
1958 -- 17% = $\frac{39.1}{269.6}$	257.5	231.1

The fact that western freight traffic has normally been subjected to the full impact of freight rate increases has naturally affected the farmers considerably. In the above Table we place before you the unfavorable condition affecting our farmers in Manitoba.

Freight rates increased in the period 1948-1958 by 169.6 percent; the Index on Commodities and Services (or production costs) increased by 35%--while the farm price index of agricultural products decreased by 12.4%.

The above Table shows freight rate increases totalling 169.6
The fact that western freight traffic has normally been subjected to the full impact of freight rate increases has naturally affected the farmers



1
2 considerably. In the above table we place before you the
3 unfavourable condition affecting our farmers in Manitoba.

4 Freight rates increased in the period 1948-1958
5 by 169.6 per cent; the index on commodities and services
6 (or production costs) increased by 35 per cent -- while
7 the farm price index of agricultural products decreased
8 by 12.4 per cent.

9 The above table shows freight rate increases
10 totalling 169.6 per cent and, from a layman's point of
11 view, this trend appears ill-advised on the part of the
12 railways, and surely is directly responsible for loss of
13 revenue. Any industry in this country can price itself
14 out of business and we submit, Mr. Chairman, that our
15 railways have done an obvious job in this direction.

16 Transportation of grain remains the one commodity
17 which is "captive" traffic", and it is therefore no sur-
18 prise that the railways have made an outright attack on
19 the Crow's Nest agreement in the hope of reaping marked
20 benefits should they succeed in their efforts.

21 Railway Revenue: We have heard arguments from
22 time to time that the Canadian Pacific Railway was not
23 a profitable enterprise in western Canada. Not too long
24 ago, statistics were available which showed the railway
25 earnings on eastern lines and on western lines. We are
26 advised that publication of these figures has been dis-
27 continued by the railways since 1949.
28
29
30



Net Earnings		
	East Lines	West Lines
1907-11	\$ 43,500,000	\$ 91,500,000
1912-16	60,000,000	152,500,000
1917-21	81,000,000	174,500,000
1922-25	56,000,000	101,500,000
1936...	5,855,663	17,455,448
1937...	10,013,518	13,728,729
1938...	3,319,735	17,432,731
1939...	5,949,860	22,573,960
1940...	14,058,900	21,580,538
1941...	16,951,233	29,006,363
1942...	20,885,093	27,302,596
1943...	19,544,002	29,667,565
1944...	11,537,387	31,622,277
1945...	13,090,407	22,963,927
	<u>\$ 361,705,798</u>	<u>\$ 753,334,134</u>

Unfortunately, we do not have figures for the 1945-1949 period but the above table is an indication that net earnings of the C. P. R. in the west have been nearly double those of the east.

The Manitoba Transportation Commission advise they have requested that this information continue to be made available, but this has been refused by the railways. Could it be, Mr. Chairman, that publication of these facts and figures would not show a favourable picture for the railroads and is the reason for discontinuance of same?

We urge, Mr. Chairman, that your Commission pay particular attention to the grain volume traffic and comparable profits to the railways. From evidence presented to transportation hearings in the past, it has been proven that when grain traffic volume was high, profits of the railroads were also high -- when volume decreased, profits went down comparably.

Now, if the railroad argument today is correct -- that money is lost on the statutory grain rates -- then it must follow that when volume of grain and flour



movement is great, the railway losses will be high.
A very close look into this aspect of the situation
should be made by your Commission.

C. P. R. Subsidiaries: The Canadian Pacific
Railway owns or controls some 100 subsidiary companies
acquired over the years from the profits of its rail
operations or as developments of land granted to the
company by the government during the early years.

Listed in the last annual report of the C.P.R.
are sixteen leased railway companies, five railroads
in which the company has a controlling interest, and
twenty-six in which it has an investment. Other wholly-
owned or controlled non-rail companies, some with subsid-
iaries of their own, involve mining, trucking, hotels,
telegrams, airlines, buses, ferries, toll bridges, real
estate, trust companies, stockyards, abattoirs, cold
storage plants, and steamships. Today the C. P. R. and
its subsidiaries still hold mineral rights on eleven
million acres of land.

The following table clearly points out the
vast revenue accruing to the C. P. R. through royalties,
rents and reservation fees:

1952	\$3.6 millions	
1953	7.3	
1954	8.4	(Source: CPR annual
1955	9.0	statements, in
1956	9.2	Financial Post Survey
1957	8.4	of Industrials.)
1958	6.8	

The most lucrative of all investments has been
the Consolidated Mining and Smelting Company, a result
of the Crow's Nest Pass agreement.

The company's investment in smelters is carried



on the books (1958) as \$17,046,561, representing 8,412,000 common shares. Smelter's stock, however, is trading at about \$20.00 a share, making the true value of this asset approximately \$168,000,000.

The following table indicates how lucrative this major subsidiary has been to the C. P. R.

	(millions)							
	1951	1952	1953	1954	1955	1956	1957	1958
TOTAL ASSETS	\$193.7	\$183.4	\$177.2	\$186.3	\$200.8	\$196.8	\$185.5	\$180.7
Net earnings	85.5	58.7	40.1	48.7	62.4	56.0	37.5	30.0
Net profit	50.7	32.8	20.4	25.3	33.7	30.3	18.8	14.0
Investment in								
Subsidiaries	12.8	14.2	13.8	12.8	11.5	10.7	8.	8.7
Dividends paid	36.0	27.0	19.6	22.1	28.6	27.0	22.1	13.1

Source: Annual Statements of Consolidated Mining and Smelting Company, Published in Financial Post Survey on Industrials, 1951-1958.

The matter of property taxes has received very little publicity during much of the evidence that has given by the railways. Provincial and local governments, as well as other taxpayers, must provide the services and facilities for the railways' operations -- yet the railways have been in the fortunate position of being exempt from property taxes in Manitoba.

We respectfully suggest that the railways should appreciate the fact that, if they were required to pay taxes on the same bases as others, they might then be in a more favourable position to argue their case for constant increases in rates. Surely the exemption from taxation has value to offset some phases of rail operations which may not be paying concerns.

The C. P. R.'s 80-year old agreement with the city of Winnipeg, that no property tax should apply



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2 on their railway property, is surely a huge benefit to
3 them.

4 Summary: Although we realize that the findings of
5 this Commission are not binding on any railroad, or on the
6 government of Canada, the importance of your work,
7 Mr. Chairman, cannot be over-emphasized.

8 In reviewing publicity on the proceedings of
9 your hearings in Ottawa, we in the west have been concerned
10 that so much stress has been placed on grain transport-
11 ation alone. Farm people in Manitoba will not agree that
12 there is justification for emphasizing costs of grain
13 transportation, and thereby obscuring the over-all
14 problem of the western people.

15 As far as we are concerned, the cost of freight
16 on grain is only one portion of the total freight bill
17 each year, and the continuous increases which have been
18 granted to the railroads have become a major share of the
19 burden of operating costs on the prairies. In plain
20 language, the prairies remain, to a much greater degree
21 than the east, prisoners of the railways in transportat-
22 ion because of the large "captive trade". We lack the
23 strong water and highway competitive facilities. Thus,
24 flat percentage increases across the board, granted
25 the railroads in recent years, have tended increasingly
26 to become a device for raising rates in the west, but
27 not in the east. Agreed charges play a major role in
28 holding down costs in the east.

29 All railway rate problems should be scrutinized
30 thoroughly -- particularly those concerning passenger
service, agreed charges, branch line traffic, rail-labour



1
2 cost studies, and assets and earnings from non-rail
3 operations.

4 The benefits from dieselization and general
5 operating efficiencies of the railroad should be investi-
6 gated and reported.

7 Another point which deserves close inspection
8 is the advantages and disadvantages accruing to the rail-
9 roads because of the high increases in freight rates.
10 What would be their position today if the former volume
11 of traffic (which was lost) were to be handled at lower
12 rates?

13 Conclusions: Finally, Mr. Chairman, we would
14 like to comment on two matters. One is the request by
15 the C. P. R. and the C. N. R. for a subsidy in lieu of
16 the grain inequities alleged to exist under the Crow's
17 Nest Pass rates.

18 We feel this is obviously the wrong approach,
19 and is nothing short of a deliberate attempt on the part
20 of the railroads to undermine the Crow's Nest Pass agree-
21 ment.

22 No one to date has proven that these grain
23 rates are unprofitable. During many of the earlier years
24 the Crow's Nest rates were so high that the railroads
25 voluntarily reduced the rates.

26 Unprofitable branch lines are the main argument
27 in the railways' request for subsidies on grain. Undoubt-
28 edly over a period of time some branch lines will be
29 closed. The Commission should examine all branch lines
30 across Canada closely, and determine which are profitable
and which are not. Those lines that are unprofitable



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2 could then be subdivided into (1) necessary lines in
3 the public interest; (2) unnecessary lines.

4 The Board of Transport Commissioners could do
5 this investigation from time to time, and the federal
6 government could then pay a sum of money to keep up the
7 lines necessary in the public interest. This would cover
8 various branch lines from coast to coast and would be a
9 direct payment to the railroads regardless of what type
10 of commodities were carried on these lines. It would be
11 a payment for the road that the railroads use, similar to
12 federal and provincial subsidies to build the highways
13 that truck transportation uses in competition with the
14 railroads.

15 Secondly, we would like to say that when the
16 C. P. R. themselves request a subsidy -- and it might appear
17 that subsidies from the federal treasury are the only
18 means of keeping our public railroads operating -- it is
19 then high time that we look at the feasibility of nation-
20 alizing the C. P. R. into a publicly-owned utility.

21 The Manitoba Farmers Union for several years
22 has passed resolutions on this subject and we would hope,
23 Mr. Chairman, that your Commission in its report will
24 not overlook this possibility.

25 All of which is respectfully submitted on
26 behalf of the

27 MANITOBA FARMERS UNION.

28 CROSS-EXAMINATION BY MR. COOPER:

29 Q. I just have a very few questions in order
30 to clarify for the benefit of the Commission a few points



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2 in your brief.

3 Now, on page 5 you refer to an address by
4 Calvin F. Tallis of the law firm of Goldenberg, Taylor
5 and Tallis, Saskatoon, to the Saskatchewan Farmers
6 Union convention in December of 1959. Could a copy
7 of that address be made available for the purposes
8 of the commission?

9 A. I believe it could be.

10 Q. I think the Commission would be interested
11 in having it so that they can study the whole text, the
12 purpose of which you have evidently used in support
13 of the statements contained in your brief preceding the
14 footnote.

15 A. We can have that speech sent to you.

16 Q. Thank you. Now, on page 6 you say, "The
17 attacks being made by the Canadian Pacific today on the
18 Crow's Nest agreement do not correspond with attitudes
19 of former presidents of the corporation. Sir William
20 Van Horne, an early president of the C. P. R. and a
21 signatory to the agreement, and Lord Shaughnessy, who
22 later became the railway's president, both were enthu-
23 siastic about the agreement because it saved the C.P.R.
24 from bankruptcy."

25 When that statement is made, are you referring
26 to actual addresses delivered by Sir William Van Horne
27 and Lord Shaughnessy, or what is your source of that
28 statement?

29 A. I believe these are taken from transport-
30 ation hearings in the past.

Q. I wonder if you could get the source so



1
2 that the Commission could look at the source?

3 A. We can also send you the source of that
4 material.

5 Q. Thank you. Now, on page 7 you state in
6 the first complete paragraph on that page, "Furthermore,
7 if the Turgeon Commission report of 1951 stated that
8 the Crow's Nest rates were profitable, why should they
9 be otherwise today," and so on. Do I understand that
10 that statement is a conclusion you have drawn from the
11 quotation from the Turgeon Commission report appearing
12 on page 6?

13 A. It is from the report, yes.

14 Q. And the only part of the report to which
15 you have reference in support of that statement is that
16 part of the Turgeon Commission report quoted on page 6,
17 is that right?

18 A. That is the only part that we referred to,
19 but there are other parts of the Turgeon Commission report
20 that we could have referred to.

21 Q. The reason I raise the question is that
22 I have a little difficulty with this statement, "Further-
23 more, if the Turgeon Commission report in 1951 stated
24 that the Crow's Nest rates were profitable," and
25 stopping there for a moment; I don't draw the conclusion
26 that you may have drawn from what you have on page 6,
27 that the Turgeon Commission report did in fact state
28 that the Crow's Nest rates were profitable in that year,
29 in 1951; they may have said they were profitable the
30 year before, and I just wanted to know if you could clear
my mind on the subject by telling me if you have any



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2 other statement in the Turgeon Commission report which
3 would support your paragraph beginning with the word
4 "Furthermore", that is all.

5 A. If my memory serves me right, in reading
6 over that report, sir, I believe the Turgeon Commission
7 didn't say that they were unprofitable, and we took
8 from that particular conclusion - when they said that
9 they were not unprofitable, they must have been profit-
able at the time.

10 Q. That is how you arrived at the conclusion
11 expressed in that paragraph to which I referred?

12 A. Yes.

13 Q. Now, the next paragraph is on page 7
14 under the heading of dieselization. Now, I have some
15 difficulty in appreciating whether the second complete
16 paragraph under the heading of dieselization and,
17 indeed, the third and fourth paragraphs, whether they
18 have reference to the Financial Post or whether they
haven't?

19 A. Yes, they have.

20 Q. Is that whole section on dieselization
21 a quotation from the Financial Post or a summary of
22 what appeared there, or what is the source?

23 A. It is a summary of the material that
24 appeared there.

25 Q. That appeared in the July 11, 1953,
issue of the Financial Post?

26 A. That is right.

27 Q. Thank you.

28 MR. DICKSON: I don't have any questions to ask.
29
30



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2 MR. COOPER: I am sorry, I will be as quick
3 as I can, Mr. Chairman.

4 Q. Now, I don't also quite understand your
5 paragraph on page 8 under the heading "Freight Rate
6 Increases", and just for the purposes of clarification
7 for the Commission you might explain a little more
8 clearly, if I may say so, the paragraph which begins
9 with the words "we believe" and goes on to say, "the
10 Canadian Pacific Railway is the only private corporation
11 in Canada which is guaranteed by law, or regulation
12 of the Board of Transport Commissioners, a fair return
13 on investment. This is done by formal presentations,
14 at public hearings, to the Board of Transport Commiss-
15 ioners whenever the C. P. R. or C. N. R. decides that
16 rates are not high enough to pay expenses and at the
time to provide a 'reasonable' return on investment"?

17 A. I think what we are trying to say there,
18 sir, is that the C. P. R. and the C. N. R. as companies
19 have the right to go before the Board of Transport Com-
20 missioners whenever they feel that their freight rates
21 are not adequate, or not adequate to pay for their
22 costs, and we say following that that the farmers,
23 particularly the Manitoba farmers, would be very pleased
24 if they could be in that same position where they could
25 go to a Board and argue their case whether or not
26 they were getting a fair price.

27 Q. But you are not suggesting that the railways
28 can go to the Board and be assured of earning a suf-
29 ficient amount of money to give them the return that they
30 want or which is fixed on their investment?



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2 A. They can't be assured of getting the kind
3 of return on investment that they would like to have,
4 but the return on investment looks quite favourable
5 when it is compared to the return on investment of the
6 farmer or to the farmer.

7 Q. And, of course, I presume when you are
8 speaking of fair return on investment, I presume you do
9 have the requirements formula in mind rather than the
10 base rate of return formula?

11 A. No, I have in mind the rate of investment
12 of these two bodies; you might say the farmers in
13 general and the railway companies, what they are
14 receiving today.

15 Q. Mr. Usick, I asked this question of
16 Mr. Ransom, and I think Mr. Moffat dealt with it, and
17 I would like to put it to you as to whether, in the
18 opinion of your union, the feed grain assistance policy
19 is a helpful policy to the farmers of Manitoba?

20 A. I would say that the feed grain subsidy
21 is of particular benefit to eastern Canada, not to western
22 Canada.

23 Q. Why do you say that, Mr. Usick?

24 A. Well, the benefit of the subsidy goes
25 primarily to the livestock, hog, and poultry producers
26 of eastern Canada and British Columbia, and is in direct
27 competition with those same products which are grown
28 out here on the prairies, and I would also perhaps go
29 even further and say that in my association with the
30 farmers in Ontario and the number of meetings I have
had there, I find that the farmers themselves don't feel



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2 that they get the benefit of any reduced grain products
3 without having the feed grain subsidy.

4 Q. Then, at page 12, and this is also only
5 for the purpose of clarification, the first complete
6 paragraph at the top of the page, which reads: "The
7 most lucrative of all investments has been the Con-
8 solidated Mining and Smelting Company, a result of the
9 Crow's Nest Pass agreement."

10 I assume from that that the Manitoba Farmers
11 Union takes the position that if it had not been for
12 the Crow's Nest Pass agreement, there would have been
13 no Canadian Pacific Railway investment in Consolidated
14 Mining and Smelting; is that the position taken by the
15 Association?

16 A. Yes, it is.

17 Q. I see on page 13 in the third complete
18 paragraph on the page you say: "In plain language, the
19 prairies remain, to a much greater degree than the east,
20 prisoners of the railways in transportation because of
21 the large 'captive trade'".

22 Now, perhaps you might just indicate what you
23 mean by the captive trade, as you use the expression
24 there?

25 A. I am referring there to the goods that
26 are both exported out of the province, and the goods
27 and services that the farmers pay for any transportation
28 coming into the province. There is a large part of
29 these goods that are coming in that are on a basis
30 where little or no competition can take place with them,
and that the freight rates that are set on them, are



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2 set on the fact that this trade is captive trade, and
3 the farmers really haven't got very much to say about
4 any other form of competition.

5 Q. I only asked that question because I
6 think it is either the same expression - no, I am sorry,
7 it is "captive traffic" which you used on page 10,
8 where you say, "Transportation of grain remains the
9 one commodity which is 'captive traffic', and it is
10 therefore no surprise that the railways have made an
11 outright attack on the Crow's Nest agreement in the
12 hope of reaping marked benefits should they succeed
13 in their efforts." Obviously, the captive trade which
14 you refer to at one place is not the captive traffic
in the other?

15 A. Well, I think that the grain is more
16 captive than the other things.

17 Q. On page 6, Mr. Usick, the paragraph com-
18 mencing, "The Turgeon Commission, in its report tabled
19 in 1951", and then going on to state, "'it is estimated
20 in this presentation'", and I believe that that word
21 "estimated" should be "assumed" and I am sure that if
I am right in that you would want to correct me?

22 A. Yes.

23 Q. "'It is assumed in this presentation by
24 the C. P. R.'" and so on. Now, the table which you have
25 given at page 9, and I haven't had an opportunity of
26 checking it, and perhaps I should before raising it
27 at all, but perhaps you could obviate the necessity
28 of my doing so. This figure that you have there in
29 the second and third columns headed "D.B.S. (western)"
30



1
2 and "D.B.S. (Manitoba)", those figures appear directly
3 in the D. B. S. records, do they?

4 A. That is right.

5 Q. And the same in the third column?

6 A. Yes, they do.

7 Q. Thank you very much.

8 CROSS-EXAMINATION BY MR. HUME:

9 Q. Mr. Usick, to identify myself I represent
10 the Canadian Trucking Association and there are just
11 two points in your brief which I would like to discuss
12 with you.

13 At page 13 at about the third paragraph you
14 make the statement - I realize this is a matter of
15 opinion - you make the statement about the middle of
16 the paragraph, "We lack the strong water and highway
17 competitive facilities." Now, the word "strong", I
18 presume is a matter of opinion, but I have been handed
19 this "Ship by Truck Directory of Manitoba", and it was
20 my impression that highway competition facilities are
21 quite strong in this province, and would you mind ex-
22 plaining whether I misinterpreted your brief?

23 A. I would say certainly there is competition
24 there, and this competition will result in a loss of
25 traffic for the railroad, but I don't believe it is as
26 strong as it is, say, in Ontario.

27 Q. So, you are comparing this with Ontario?

28 A. Ontario is one of the provinces.

29 Q. And you point out on page 8 in connection
30 with goods and services that were required by the town,



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2 and you say, "And today the railways have lost most of
3 this trade because of their high freight charges", and
4 I presume you mean they have lost them to the highway
5 traffic facilities or to the privately owned truckers?

6 A. I was speaking from points in Winnipeg to
7 the towns and villages in the province.

8 Q. Then, Mr. Usick, one other question. You
9 say on page 13, "Agreed charges play a major role in
10 holding down costs in the east." Are you aware that
11 there are a great many agreed charges in the west as
12 well as in the east?

13 A. I am aware that there are agreed charges
14 here, but I don't believe as many as in the east.

15 Q. I don't know how many there are, but
16 you are not suggesting, therefore, that agreed charges
17 don't also play a major role in holding down some, at
18 least of the charges in the west?

19 A. I would say that agreed charges play a
20 role in the west, but I wouldn't say as major a role as
21 they do in other parts.

22 Q. And on page 3 you recommend to this Com-
23 mission that they investigate truck competition and
24 that they investigate agreed charges. May I just ask
25 you this question; is your suggestion of this investi-
26 gation prompted by your worry that agreed charges are
27 not returning a proper revenue to the railroad, or
28 because the agreed charges threaten the possible exist-
29 ence of the trucking industry, or both?

30 A. Well, we haven't seen anything in the
province here to show that the agreed charges threaten



1
2 the existence of the truck competition, and as far
3 as that particular section on that page dealing with
4 agreed charges is concerned and why we want to investi-
5 gate them is we would like to see the impact of agreed
6 charges in other places in connection with the railways,
7 and I can't see the effect of any increases in freight
8 rates, as we have known them in the past. Taking the
9 competition there and comparing it to our position
10 here where we haven't got as many agreed charges and
11 where we share a greater burden of the increase in
12 freight rates whenever they take place.

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18 Q. Thank you very much.
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CROSS-EXAMINATION BY MR. McDONALD:

Q. Mr. Chairman, I just have a few questions by way of clarification. On page 2, the second paragraph, "Because of the political composition of Canada, prairie farmers have been artificially forced to trade east and west and are not able to take advantage of the more economic markets practically on our doorstep to the south." Are you referring there to tariffs in the United States which prevent you shipping your goods in there?

A. No, not only tariffs. I think rates on moving goods going south instead of the rates on goods moving east and west, as we have at the present time.

Q. You get better rates east and west than you do north and south; is that it?

A. I think this goes back a long way. You can't say, yes, it compares with the situation today. The whole history of Canada from Confederation and the railroads and the opening up of the country was all in relation to traffic east and west, and the full extent of competition to the south which could have opened up at that time was not taken into consideration because it was in the national interest to have special assistance provided to railways and to provide that that traffic should move east and west within Canada.

Q. What part of the province are you in?

A. Where I live?

Q. Yes.

A. I am about 160 miles northwest of Winnipeg - mostly west.



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2 Q. And if you are shipping goods south into
3 the United States, what route would they take - would
4 they go by highway or railway?

5 A. I don't know of any goods moving in that
6 particular direction, and most of the goods I know of
7 move east and west - towards Winnipeg.

8 Q. Turning to page 9, on the table which
9 you have given there, starting with the rate base in
10 1948, I would like, for the record, to put in some cor-
11 rections which you can check later. I have had these
12 figures checked. They are all right down to 1952, and
13 in 1952 there was a 17 per cent increase in lieu of the
14 12 per cent in 1951, which brings your total to 159.9
15 instead of 169.8. Then, if you carry down in 1952, the
16 9 per cent, that comes to 185.2 instead of 185.0. In
17 1953, the total there is 198.1 instead of 187.9. Then
18 in 1956, the 7 per cent increase, you get a total of
19 212.0 instead of 221.7; there is a mistake in addition
20 there. Then, in 1956, the 4 per cent, the total there
21 is 219.9, and in 1958 you have a total of 257.3 instead
22 of 269.6.

23 THE CHAIRMAN: I think you would be safe in
24 taking Mr. McDonald's figures.

25 THE WITNESS: I will take his word for it.

26 MR. McDONALD: Q. I would like to point out,
27 as far as Canadian National is concerned, although this
28 shows an increase of 157.3 going from one hundred up
29 to 257.3, our actual over-all increase was less than
30 100 per cent on account of the fact there was no appli-
cation on the grain - our increase was less than 100 per



cent.

On page 10, the second paragraph on the page, you say, "Transportation of grain remains the one commodity which is 'captive traffic'". I was wondering if you had overlooked mining, for instance - ore, and that sort of thing?

A. Perhaps it would have been more correct to say "remains the one main commodity".

Q. There is a considerable amount of ore being handled?

A. Yes.

Q. On page 12 you refer to the property taxes: You know that the Canadian National Railways pays property taxes?

A. I understand that they pay some taxes; I don't know to what extent.

Q. Well, for your information, as far as I am advised, we have no agreements excepting us from taxation, and we are taxable the same as any other company. That is all I have; I just wanted to correct the record for you.

CROSS-EXAMINATION BY MR. SINCLAIR:

Q. Mr. Usick, you live approximately 160 miles northwest of Winnipeg?

A. That is right.

Q. And you have lived in this country for a long time?

A. All my life.

Q. And I am sure that you and your organization



1
2 have considered the appointment of this Commission as a
3 worthwhile endeavour on behalf of the government of
4 Canada to move in and investigate and study a problem
5 that is of concern to all Canadians?

6 A. Yes, we have taken that attitude.

7 Q. And you have also considered the personnel
8 of this Commission in your organization - some of them
9 very well known to you?

10 A. We have said in our brief, I think, sir,
11 that we have the fullest confidence in the Chairman and
12 members of the Commission.

13 Q. And your organization, knowing the type
14 of men they are, and having seen them here, and listening
15 to them, would be completely satisfied with their investi-
16 gations and recommendations?

17 A. Well, that - I can't say that at all.

18 THE CHAIRMAN: That is asking a lot.

19 MR. SINCLAIR: Q. Let me put it this way:
20 You could not think of better people to consider this
21 problem?

22 A. As I have said, I have the fullest confidence
23 in the members of the Commission.

24 Q. Will you agree that you not only have full
25 confidence in them, but you know they are going to study
26 all matters and go into them and give them the weight
27 they deserve?

28 THE CHAIRMAN: You are bound to get us a
29 certificate of character.

30 THE WITNESS: I believe they are certainly going
to investigate into the problems of railway transportation.



1
2 However, we outline certain things in our brief which
3 we felt, as an organization, we should have a full and
4 comprehensive report into the cost analysis of trans-
5 portation by yourselves.

6 MR. SINCLAIR: Q. And you, of course, approach
7 these problems in a completely unbiased way, yourself,
8 do you?

9 A. I would say similar to the approach that
10 you have taken.

11 Q. Well, I am glad to know that. Thank you
12 very much.

13 EXAMINATION BY MR. MAURO:

14 Q. I just have one question, Mr. Usick, that
15 I thought might be of interest to the Commission because
16 they have asked it of other farm representatives. If,
17 after this Commission makes a thorough investigation
18 of all of the aspects of the transportation problems
19 in Canada, and for the sake of my question, assuming
20 this Commission came to the conclusion that the Crow's
21 Nest rates were not returning a proper contribution to
22 the revenues of the railroad, would the Manitoba Farmers
23 Union want any subsidy that this Commission might rec-
24 ommend to be paid, paid to the individual farmer or to
25 the railway?

26 A. Well, certainly as far as the subsidy
27 itself is concerned, I would like to say this, that we
28 are not convinced that the Crow's Nest Pass rates are
29 unprofitable. We feel a lot of things should be consid-
30 ered in this whole transportation hearing, and in this



1
2 Commission, and particularly the branch line operation
3 and passenger service, and others we have outlined in
4 our brief, and we feel these have a fairly large bearing
5 on the whole aspect of transportation. We are not in
6 favour of a subsidy to the farmers because we don't feel
7 that is where it should be levied. We have an agreement
8 with the C. P. R., and as far as I know I haven't found
9 any farmers who are not satisfied with that agreement.
10 It is the C. P. R. who have made application for the
11 subsidies, not the farmer, and if they are the ones who
12 made the application, I would suggest to the Chairman
13 and the Commission that the subsidy should go to the
14 C. P. R.

14 MR. MAURO: Thank you.

15 BY MR. ANSCOMB:

16 Q. Mr. Usick, while your brief is very clear
17 on this point, I would like to have you say that it is
18 quite understood that any subsidy given in 1881 has
19 nothing whatever to do with the Crow's Nest rates?

20 A. Any subsidy given

21 Q. In 1881 has no bearing on Crow's Nest rates?

22 A. Well, it has a bearing to the effect there
23 was an agreement reached at that time, and that agreement
24 is still in effect.

24 Q. I am talking about 1881?

25 A. Oh, pardon me. You are talking about the
26 land grants and the subsidies.

27 Q. And that has nothing to do with the Crow's
28 Nest agreement whatever?



1 A. Yes, I agree with you.

2 Q. I take you to your own brief on page 8
3 where you are dealing with a fair return on investment.
4 I might or might not agree that the Board of Transport
5 Commissioners only deal with railways who return deficit
6 returns, but is it your view that the return they are now
7 given is a fair one in view of the cost of money today?

8 A. I said there, in this particular connection,
9 that if the farmers had the same opportunity available to
10 them as the railways have, in going before a Commission,
11 that the farmers would certainly be quite happy in being
12 able to make their presentation and in getting a return
13 on their investment similar to what the railways are
14 getting today.

15 Q. That is not quite what I asked you. I
16 asked you a specific question: Do you think the return
17 now allowed is a fair return in view of the cost of
18 money today? Money is no different from a building;
19 you buy it or rent it, and you pay a rate, and the rent
20 goes up or down just the same as wages; do you think what
21 is allowed now is a fair rate in view of the cost of
22 money today?

23 A. I would have to answer that question in the
24 affirmative, yes, and I think you will have to look at
25 our position - myself, as a farmer, and as a farming
26 organization. We are not a finance company, and we are
27 not in the process of handing out money and having a certain
28 rate of return on that money from time to time. The
29 farmer looks at the rate of return on investment which
30 the C. P. R. gets and it looks very profitable to him
because he is getting a much lower rate, and to that



1
2 effect we feel their return on investment is a favourable
3 rate.

4 Q. I want to ask you something, and I don't
5 want anybody to get nervous at this question, and I
6 certainly don't want my friends of the Canadian National
7 Railways to get nervous at this question, because I
8 think their problems are entirely different from the
9 problems of the Canadian Pacific, but the fact remains,
10 and history shows, that they lose now about \$50 million
11 a year. The Canadian Pacific don't make very much out
12 of railway operating. Now, in the next to the last para-
13 graph on page 14 you suggest that the national government
14 should nationalize the C. P. R. Will you just tell me
15 why you think that when they have a railway costing them
16 \$50 million a year now - why they should want to add
17 another one to it that may cost them something? Wouldn't
18 it be more reasonable, in a free enterprise society to
19 suggest that the C. P. R. might be induced to take away
20 from the national government the C. N. R. and try to make
21 it profitable and relieve the taxpayer?

22 A. I would say there, sir, that when you have
23 two railway companies, you have many services where they
24 are both in competition, in a field on which there may
25 not be much traffic. If you had one railway company
26 you could combine many of the services, eliminate some
27 of the inefficiencies, and in that way probably have a
28 railway company that would show a return and a good
29 financial structure at the end of the year. This is why
30 our organization has gone on record in favour of the
nationalization of the C. P. R.



1
2 Q. Well, I would like to say that I agree
3 with exactly what you have said, and I will finish by
4 asking you this question: Do you not think it would be
5 better to do that under free enterprise than socialism?

6 A. Well, in that particular question, I think
7 we have lots of examples of public utilities, and
8 certainly we have in Manitoba. Two of our largest public
9 utilities are the Manitoba Telephone System and the
10 Manitoba Power Commission, and I think they are two of
11 the best utilities in Canada, and as far as our power
12 commission is concerned, I think we are enjoying some
13 of the lowest rates in Canada, and they are public
14 utilities. They are what you might call socialistic
15 to that extent. But, they have certainly worked in the
16 interests of the people of this province, and we don't
17 see why it could not be extended to the C. P. R. as
18 well.

19 BY MR. MANN:

20 Q. Mr. Usick, Commissioner Anscomb asked you
21 a question on page 8 where you talk about a fair return
22 on investment. You note in your brief, "We believe the
23 Canadian Pacific Railway is the only private corporation
24 in Canada which is guaranteed by law, or regulation of
25 the Board of Transport Commissioners, a fair return on
26 investment." You do know, of course, that the Bell
27 Telephone Company is in a similar position?

28 A. Again, I suppose I should say it would
29 probably have been more correct to say it is the only
30 private "railway" corporation.

MR. SINCLAIR: I thought he changed that when



1
2 he spoke to Mr. Cooper.

3 MR. MANN: I had no recollection of that.

4 MR. SINCLAIR: I hope he did, anyway.

5 MR. MANN: Q. In reply to Mr. Cooper you gave
6 some comments on the feed grain subsidy, the feed grain
7 assistance; arising from your comments, would you think
8 that the feed grain assistance should be abolished?

9 A. Well, we have never gone on record either
10 particularly favouring the extension of that subsidy or
11 of abolishing it. We have had fairly detailed arguments
12 between the livestock producers and the poultry producers
13 within this province that it was harming their position,
14 competitionwise, between their product in this province
15 and Ontario and Quebec and British Columbia. But, until
16 the organization itself goes on record as having a policy
17 one way or the other I can only say, speaking on behalf
18 of the organization, that we feel this subsidy is not
19 in our interests, but in the interests of eastern Canada.

20 Q. I have one more question on page 14 where
21 you suggest in a sense a subsidy in respect of branch
22 lines similar to payments made on highways. In suggesting
23 such a subsidy do you think that it should only cover
24 roadbed and track or the railroads, on the branch lines,
25 or would you include other expenses incurred in respect
26 of branch lines? Is this to be a track subsidy only?

27 A. We were trying to point out the comparison,
28 but there is a certain factor between truck competition and
29 railway competition which you might say is not fair to
30 the railroads because the truckers have a road that they
can transport their product on which is looked after by



1
2 the taxpayer. The railroads have to look after their own
3 roadbed. We feel many of the branch lines in western
4 Canada - and I believe there are 3,000 miles of them in
5 this cost study - could probably be proven to be unprofit-
6 able. We feel this is a branch line problem rather than
7 a particular commodity which might be going on these
8 branch lines. Therefore, we feel that if the Commission
9 looked into this and analyzed the situation they might
10 feel that the railways should have a subsidy in lieu of
11 the operation of these branch lines, and one of the con-
12 siderations is because of the fact the railroads have
13 to look after the railroad bed and the operation of the
14 track.

15 Q. One last question, on page 6 of your brief,
16 in the first full paragraph you say, "This tremendous
17 wealth of patronage and privilege..." - do you see those
18 words? As you know, I am from the east, and down where
19 I come from we have a definite idea of the meaning of
20 the word patronage, and I wanted to know what it meant
21 in the west?

22 A. Did you have a question there?

23 Q. I don't think you need to answer that.

24 THE CHAIRMAN: Thank you very much for your
25 presentation and for your patience in waiting with us
26 all this time, and we have been, as a Commission, simply
27 delighted at the interest which is shown by the citizens
28 of Manitoba, and particularly the farmers of Manitoba,
29 in the work we are trying to do. I was born and raised
30 on a farm, so I have every sympathy for the farmer, and I
31 appreciate, and we all do, the fact that you have been



1
2 so patient and you have done such work in preparing to
3 come before us.

4 MR. MAURO: I would want to say - and I think
5 I speak for the Premier who cannot be here tonight -
6 these citizens of Manitoba, both from the organizations
7 who have put in a considerable amount of work in preparing
8 these briefs, and those people who have sat here all
9 through this - I think it augurs well for the democratic
10 process that citizens can be interested. The Commission
11 and the counsel have to be here, anyway, but they have
12 shown great interest.

13 THE CHAIRMAN: Mr. Mauro, it is a real
14 inspiration to us when we see the citizens so interested,
15 and we feel we have to try to do a job.
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1 SUBMISSION OF THE BRANDON CHAMBER OF COMMERCE:

2 THE CHAIRMAN: Well, Mr. Mauro?

3 MR. MAURO: Thank you, Mr. Chairman, The
4 next submission will be made on behalf of the city of
5 Brandon and the Brandon Chamber of Commerce by
6 Mr. Norman Bergman. I would call, in order to qualify
7 him, Acting Mayor A. D. Burneski, who has come from
8 Brandon, and Mr. L. D. Whitehead of the Brandon Chamber
9 of Commerce, who have a few lines that they want to say
in support of the submission.

10 MR. BURNESKI: Mr. Chairman and gentlemen, I am
11 the acting mayor for the city of Brandon in the absence
12 of Mayor Creighton, who is on holidays. The brief to
13 be submitted by Mr. Bergman on behalf of the Brandon
14 Chamber of Commerce and the city of Brandon has been
15 fully explained to and discussed by our city council and
16 the submission approved, sir.

17 THE CHAIRMAN: Well, we have heard that you
18 have great ideas in store for Brandon, and we sympathize
19 with you and we are delighted that you are taking such an
aggressive part in the development of Manitoba.

20 MR. BURNESKI: Thank you, Mr. Chairman. We have
21 problems, it is true.

22 THE CHAIRMAN: I hope that nothing that we do
23 will hurt you.

24 MR. BURNESKI: I hope so, sir, and thank you
very much.

25 MR. MAURO: Mr. Whitehead.

26 MR. WHITEHEAD. Mr. Chairman and gentlemen:
27 As first vice-president of the Brandon Chamber of Commerce,
28 I am acting for Mr. R. K. Armstrong who could not be with
29
30



1
2 us tonight. I am here to report to the Commission that
3 the Brandon Chamber of Commerce brief to be submitted
4 by Mr. Bergman has been fully discussed at a general
5 meeting and the statements and submissions offered carry
6 the endorsation of the Brandon Chamber of Commerce.

7 THE CHAIRMAN: Well, we are sorry we have to
8 keep you so late. We were very anxious to hear everything
9 that Mr. Bergman has to say.

10 BERGMAN, Norman, called.

11 MR. BERGMAN: Mr. Chairman, my first word is
12 one by way of apology in that I believe some of the
13 counsel engaged in this hearing did not receive copies
14 of our submission until just a very short time ago.
15 I do want to extend our apologies to them. We did have
16 them delivered, but through some error in delivery,
17 they did not reach their hands. Our apologies are
18 delivered for that, Mr. Chairman.

19 The Brandon Chamber of Commerce and the city
20 of Brandon have adopted aggressive plans to attract new
21 manufacturing and processing industries to the Brandon
22 area. Experience has shown that no industries whose
23 product contains a high weight content will locate in
24 the smaller centres if their processed product has to be
25 moved any substantial distance to market. The policy of
26 horizontal percentage increases in the rail freight
27 structure to provide additional railway revenue, as
28 applied in recent years by the Board of Transport Com-
29 missioners, decreases the locational attractiveness of
30 the smaller urban centres. In addition, small manufac-
turing firms have had to remove or may have to remove



1
2 their plants to larger cities where they are better able
3 to compete because of more favourable freight rates.

4 This brief contains specific illustrations to
5 show that Brandon must pay an excessive and disproportion-
6 ate additional freight expense for most of the consumer
7 goods brought in. At the same time it illustrates that,
8 because of high freight costs, wage earners in one major
9 industry are now being asked to absorb a large portion of
10 freight costs by accepting it as a wage differential, in
11 order that this industry can continue to exist and pro-
12 vide employment. The principle that the consumer must
13 pay more for the necessities of life in smaller urban
14 centres and, on the other hand, receive less pay for
15 equal work is one that must be studied with grave concern
16 as it is repugnant to the basic Canadian concept of
17 equality for all.

18 For this reason, the Brandon Chamber of
19 Commerce and the city of Brandon jointly have prepared
20 this submission on the present rail freight rate situ-
21 ation as it adversely affects industry and commerce in
22 the Brandon area. This brief is submitted in the hope that
23 it will prove useful to your Commission in its investi-
24 gations. It emphasizes the need to remove or at least
25 to ease Brandon's rail freight rate disadvantages. A
26 national policy that would do this would benefit other
27 Manitoba communities as well as Brandon and perhaps other
28 centers in western Canada similar to Brandon in size and
29 location.

30 Brandon's Economic Background: Brandon is a
thriving middle western prairie city of just over 27,000



people located about 130 miles west of Winnipeg. Economically, socially and politically it is similar to many cities its size in the central region of the United States. It has a long history of agricultural development. It has and does serve as a major center of agribusiness activity including food processing, feed and seed milling, farm marketing, wholesale and retail trade, etc. It is located close to a major regional recreational area. Its recent growth has been rapid. In the period between 1951 and 1956 Brandon's population grew 19 per cent and the city seems determined to take whatever action is necessary to assure a continuation of this growth.

Central Location: Brandon is located in southwestern Manitoba about 130 miles west of Winnipeg, 70 miles north of the United States border and 230 miles east of Regina, Saskatchewan. Approximate highway mileage from Brandon to various United States and Canadian cities are as follows:

	To Chicago	1030
	To Minneapolis	580
From Brandon:	To New York	1880
	To San Francisco	2100
	To Toronto	1440
	To Montreal	1560

Economic History: The natural advantages of the site of Brandon were first recognized by a "Company of Adventurers of England Trading into Hudson's Bay." These adventurers established Brandon House as a trading post on the banks of the Assiniboine River in 1794.

The first permanent settlers began to arrive in the district in 1878, and as their numbers increased, a town site was surveyed. Railroad service to Winnipeg was established in 1881.



Between 1900 and 1910 railroad promotional activity and the economic attractions of the west brought hundreds of new settlers to the area. Wheat became the area's principal crop. Brandon became known as the Wheat City and its population increased fourfold assuming increasing importance as a major distributing centre for western Manitoba.

Brandon gradually became an assembling and processing centre for the products of the agricultural hinterland it serves. Local industries developed to pack meat, mill grain, supply seed, feed and farm equipment. Brandon now manufactures a wide range of products for both farm and industry. Recently oil refining and electrical equipment have been added to the list of manufacturing industries.

Brandon's efforts to develop local industry and to induce outside firms to locate in the city have produced some results. Manufacturing employment increased 35 per cent in the period 1946 - 1956. Since then the rate of industrial development has diminished as the result of the impediment caused by the present freight rates structure.

Climate: Brandon is subject to the same wide variations in climatic conditions which characterize the mid-continent area. The winters are cold but there are many days of sunshine and a dryness that is invigorating. The summers are pleasantly warm during the day but cool at night. Prevailing winds, winter and summer, are from the northwest. An average annual precipitation of 18 inches assures ample water supply for agriculture



1
2 and for many industries. The growing season averages
3 about 121 days per year.

4 Appearance: Brandon looks about like any
5 other middle western town of comparable size. It has
6 many new homes and stores. The downtown area is squared
7 off with one-way streets to provide for increased traffic
8 and parking.

9 There are new modern motels and recent exten-
10 sions and improvements to Canada's highways bring people
11 to occupy them.

12 Steets are wide and well laid out and more
13 than one-third of the houses are new since 1947.

14 A master plan for the town has designated
15 residential, commercial and industrial zones to prevent
16 unsuitable development patterns.

17 Industrial Activity: Brandon's industrial
18 activity is characterized by healthy diversity. As
19 might be expected from the town's earlier role as an
20 agriculturle market center, food processing and the
21 manufacturing of agricultural supplies are important parts
22 of total manufacturing activity. Petroleum products and
23 metal products and fabricating follow food processing in
24 employment totals.

25 To realize its full industrial potential,
26 a community must either have established firms in growth
27 industries which can expand or it must attract new firms
28 in growth fields. Brandon already has established firms
29 in several important growth fields, notably food pro-
30 cessing, metal products and fabrication, electrical
equipment and petroleum products.



Food processing leads in employment and number of establishments. The largest of the twenty firms in this group is a packing plant, which employs in the neighbourhood of 200 people. This company processes all types of fresh meats, cured and smoked meats, all types of sausage, lard and other rendered products and distributes its products throughout Canada and also exports a significant amount. Other firms in this category are processors of dairy products and bakeries.

Food processing will continue to be an important industry in Brandon. New technological developments in food processing promise to open new possibilities for food preservation at the same time consumer demand for processed food is increasing. The established firms in this field have expansion potential and there will be opportunities for new firms. The fertile agricultural area surrounding the city supplies some of its most valuable raw materials. As crop diversification continues, there will be added attractions for canners, freezers and other processors to locate in Brandon.

At present there is only one producer of petroleum products and this firm refines and distributes petroleum products. This is another growth field and the prospects of this company for continued expansion appear to be very good. The growth potential in this industry may be further exploited by manufacturers of petroleum by-products around the nucleus of the present refinery operation.

Metal products and fabrication is the third largest manufacturing category and the fastest growing



one in terms of employment. All types of tanks, steel welded heating boilers, steel sheets, filters and softeners, gas controls, culverts, wrought iron products, furnaces, tin pipe, and television hardware are now manufactured in Brandon. There are ten companies in this group.

The one recently added company in the expanding electrical equipment category, manufactures several items including electric switches. Electrical and electronic equipment is an expanding field, and Brandon is favourably situated to share in the expansion.

The agricultural implements and supplies category includes truck bodies and accessories now being manufactured in Brandon by two firms. There is growth potential in this field, especially in supplies and equipment for the row crops which are gradually replacing grain.

The transportation equipment groups include two manufacturers of van and truck bodies, dump bodies and house trailers.

The miscellaneous manufacturing group includes firms manufacturing fishing tackle and boats. These recreation oriented fields will benefit from the continued interest in Manitoba as a vacation land.

The feed, seed and nursery products group is dominated by the largest seed house in Canada with branches in Toronto and Calgary.

Brandon's total sales volume for manufacturing industries in 1957 was \$25.3 million. Total retail trade for 1957 was \$37.4 million, and total wholesale trade was \$39.6. Together these figures present a picture



1
2 of a well balanced economy. Manufacturing activity is
3 now centred in three groups with good growth potential:
4 food processing, petroleum products, and metal products
5 and fabrication. Brandon's economic development will
6 continue as firms now in these growth industries benefit
7 from increased opportunities and new firms are attracted
8 by this potential, providing Brandon's position with res-
9 pect to freight rates is improved.

10 Retail and Wholesale Trade: Brandon has been
11 a retail trade centre since its beginnings as a Hudson's
12 Bay trading post. The post-war increase in retail sales
13 indicates a considerable expansion. In 1951 total
14 retail sales were \$29.9 million and in 1957, they were
15 estimated at \$37.4 million.

16 The pace of trade activity in Brandon is illus-
17 trated by the increases in the number of establishments
18 in all categories but one. Even in the apparel and
19 accessory group, dollar sales increased from \$3.2
20 million in 1951 to an estimated \$4.6 million in 1957.
21 One of the most significant increases in dollar sales
22 has been in the building materials and hardware group.
23 This reflects not only the growth in residential building,
24 but new institutional and commercial construction as well.

25 Brandon's trading area penetrates farther west-
26 ward than in any other direction. This is to be expected
27 since the next city to the west is Regina, Saskatchewan,
28 some 225 miles away.

29 The Brandon trading area to the north is more
30 closely clustered within a 75-mile area. Beyond that
distance are Riding Mountain national park and other



1
2 thinly populated lake areas.

3 To the south the pattern is similar, with the
4 United States boundary seventy miles away constituting
5 a natural limit to the trading area in that direction.

6 An estimated 180,000 people live in the area
7 served by Brandon establishments.

8 Wholesale Trade: The volume of wholesale trade
9 in Brandon shows a total volume of approximately
10 \$38,600,000 provided through 54 establishments. Leading
11 in dollar volume by a considerable amount is the groceries,
12 confectionery, fruits, tobacco, etc., category with a trade
13 volume of \$9,500,000 serviced by six establishments.
14 Following this is the oil and petroleum products cate-
15 gory, which is a growth field itself and may serve as
16 a base for other industries. The meat packing figure is
17 also significant. Food processing is a second area
18 with further industrial development potential. Another
19 promising group is the electrical equipment group. It
20 is still new to Brandon, but three firms are represented
21 at present.

22 Both retailers and wholesalers have been affec-
23 ted by curtailment of railway schedules, particularly
24 on branch lines. Brandon is in an unfavourable position
25 with respect to rail shipments to the east....

26 And, Mr. Chairman, I use the term here "to the
27 immediate east" so you know it is in the particular trade
28 area, rather than to eastern Canada, because goods from
29 the United States and eastern Canada can be distributed
30 from Winnipeg into the Brandon area without any backhaul.
On the other hand, Brandon serves a considerable portion



1
2 of southern Saskatchewan. It has been suggested that
3 Brandon should be petitioning the Board of Transport
4 Commissioners for freight rate changes to put Brandon
5 in a better competitive position.

6 Inequities in the Freight Rates Structure: As
7 will be argued before this Commission later in these pro-
8 ceedings, none of the changes in the freight rate struc-
9 ture which have been imposed since the last war have been
10 to the direct benefit of Manitoba. Indeed, some of them
11 have placed the province at a disadvantage. In no case
12 is this more apparent than in Brandon where the freight
13 rate structure has imposed severe limitations on Brandon's
14 industrial potential. Studies carried out by and for the
15 Chamber of Commerce in the past year have substantiated
16 this fact. Those charged with the responsibility of
17 encouraging the development of Brandon have viewed this
18 situation with mounting concern.

19 For this reason, the city of Brandon and the
20 Brandon Chamber of Commerce welcome the appointment of this
21 royal commission as evidence that the government of Canada
22 shares the concern that the present freight rate structure
23 is operating to the detriment of certain areas of Canada.

24 It is common knowledge that the towns, villages
25 and smaller cities particularly in western Canada are
26 faced with a problem of survival today. It is also gener-
27 ally recognized that it is in the general interest of
28 Canada that these communities survive, contribute to and
29 share in the general prosperity being enjoyed in the rest
30 of Canada at this time.

The city of Brandon and the Brandon Chamber



of Commerce therefore respectfully wish to bring to the attention of the royal commission their views on a number of freight rate matters which, in their opinion, are contributing to the present disadvantageous situation which such communities, and specifically Brandon, are faced with in respect to industrial growth.

The first of these is the effect of horizontal freight rate increases. We have already stated that Brandon is actively engaged in a program to develop industry as a means of expanding and diversifying the economy of the city. It was further stated that horizontal freight rate increases have a detrimental effect on the ability of smaller urban centres to attract industry. This is based on the fact that generally speaking, the low density of population found in western Canada makes it necessary for some industries to rely on more widely spread markets, increasing costs or reducing the competitive position of such firms. This tends to make smaller urban centres much less locationally attractive.

The practice of applying a percentage increase across the board, as we have said, places western Canadian communities in an increasingly disadvantageous position. Communities have encountered proportionately greater freight costs as increase has followed increase. In dollars and cents then, the burden of paying for the nation's freight bill has fallen increasingly on the western community.

The city of Brandon and the Brandon Chamber of Commerce therefore respectfully submit that any further increases that may be imposed should be a flat amount in



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2 cents per hundred pounds, or failing this, a combination
3 of a relatively smaller percentage increase plus a cents
4 per hundred pounds increase.

5 The Brandon Freight Rate Situation: It was
6 stated earlier in this brief that the city of Brandon is
7 suffering the consequences of the present freight rate
8 structure. Perhaps it would be helpful and informative
9 to outline in more detail just exactly what this means
10 in terms of Brandon's future. It might be fairly stated
11 that the Brandon freight structure is the object of con-
12 siderable concern by many Brandon distributors and almost
13 all Brandon manufacturers. The greatest concern has been
14 voiced by manufacturers and processors although the
15 problems faced by others such as lumber and fruit dealers
16 are also significant.

17 The Canadian railway rate structure is based
18 on standard rate making principles including the
19 cost of service, value of service, characteristics of the
20 product, and many other factors including the incidence
21 of competition. Despite the recent attempt to "equalize"
22 freight rates by relating them more closely to the
23 mileage between points (cost of service), the structure
24 of rates is still extremely complex.

25 The railways exercise their rights to cut their
26 rates to meet competition; and cities, towns and regions
27 which are fortunate enough to have competitive forms of
28 transportation benefit through lower freight rates.
29 Cities, towns and regions in which the railways do not
30 have competition from other carriers generally are required
to pay the maximum freight charges permitted under the



1
2 standard mileage scale.

3 The level of freight charges in a particular
4 region or community is, therefore, strongly influenced
5 by the degree of competition. The stronger the actual
6 or potential competition, the lower the rates. This com-
7 petition can come from trucks, or water carriers, or
8 other railways.

9 Rates on Shipments from East: Shipments from
10 eastern Canada are of special significance to those
11 western Canadian firms engaged in secondary manufacturing
12 or in the distribution of goods. Rate levels on steel
13 and other raw materials for secondary manufacturing have
14 had a considerable influence on industrial development
15 in the area. Similarly, comparative rate levels on manu-
16 factured goods produced in eastern Canada for sale in
17 the west play a major role in determining distribution
18 centres in western Canada.

19 To illustrate, Winnipeg enjoys significant
20 advantages over Brandon on shipments from the east.
21 Winnipeg is geographically closer to the east. Even the
22 straight application of standard mileage scale provides
23 advantages to Winnipeg with respect to Brandon. For
24 example, the rate on class 100 merchandise from Toronto,
25 which is based on the standard mileage scale, is \$6.01
26 to Winnipeg as compared with a rate of \$6.54 to Brandon.
27 The Brandon rate is therefore .53 cents, or 8.6 per cent,
28 above the Winnipeg level. As a result, Brandon firms pay
29 53 cents more per 100 pounds for shipments of class 100
30 merchandise than a competitor in Winnipeg. Of course,
for shipments travelling under a lower classification, the



absolute size of the differential declines. However, the percentage differential under a strict application of the mileage class scale remains the same. The following table compares the theoretical rate differentials for various class shipments to Brandon and Winnipeg. The table implicitly assumes that the railways do not deviate from a strict application of the standard class rate differentials.

As the table shows, the extent of the advantage Winnipeg enjoys over Brandon should be from .53 cents for shipments under class 100 rates, to .15 cents for class 27 shipments. In all instances, the rail rate to Brandon should be 8.6 per cent higher.

The decimal point in the last column of the following table is meant to be after the dollar. That should read 53 cents for class 100 and 15 cents for class 27. In all instances, the rate to Brandon should be 8.6 higher. This table can be taken into the record, but I would like to point out in the last column "Theoretical Winnipeg Advantage", those figures are all cents.

TABLE I

THEORETICAL RATE DIFFERENTIALS, BRANDON VS. WINNIPEG ON SHIPMENTS FROM TORONTO

Class	To Winnipeg	To Brandon	Theoretical Winnipeg Advantage
100	\$6.01	\$6.54	.53¢
85	5.11	5.56	.45
70	4.21	4.58	.37
55	3.31	3.60	.29
45	2.70	2.94	.24
40	2.40	2.62	.22
33	1.98	2.16	.18
30	1.80	1.96	.16
27	1.62	1.77	.15



The following table shows some actual rates paid by Brandon merchants for shipments from the east compared with the rates charged on identical shipments to Winnipeg:

(1)						
RAIL RATES ON SHIPMENTS FROM THE EAST						
Commodity	Minimum Weight	Ex	(1)		Differential	
			Rate per 100 lbs. To Winnipeg	To Brandon	Absolute	Percentage
Peaches	20,000	Toronto	\$3.11	\$3.57	46¢	14.8
Peaches (2)	26,000	Toronto	2.65	3.37	72	27.2
Electric Motors						
	Class 45	Toronto	2.62	2.89	27	9.1
Canned Fruits	30,000	Toronto	2.24	2.61	37	16.5
and	50,000	Toronto	2.03	2.37	34	16.7
Vegetables	30,000	Toronto	1.75(4)	2.61	86	49.2
	50,000	Toronto	1.65(4)	2.37	72	43.6
Furniture	14,000	Toronto	3.26	3.54	28	8.6
Furniture (3)	26,000	Toronto	2.65	3.37	72	27.2
Paint		Toronto	6.40	6.96	54	8.8
Metal	(1st LCL)	Oshawa	6.40	6.96	54	8.8
Metal	(2nd LCL)	Oshawa	5.42	5.90	48	8.9
Lubricating Oils & Grease	CL	Sarnia	1.37	1.69	32	23.4
Tires	CL	Kitchener	2.12	2.82	70	33.0
Steel Sheets	100,000	Hamilton	1.50(4)	1.83(4)	33	22.0
Steel Sheets	80,000	Hamilton	1.55(4)	1.88(4)	33	21.3
Steel Sheets	40,000	Hamilton	1.67(4)	2.00(4)	33	19.8
Bars	50,000	Sault Ste Marie	1.44½	1.71½(5)	27	18.7
Sheets & Plates	CL	Chicago	1.34	1.68	34	25.4
Agricultural Implements	CL	Brantford	2.49	2.72	23	9.2
Steel	-	Burlington	2.41	2.71	30	12.4
Nails	-	Hamilton	1.90	2.69(6)	79	41.6
China and Crockery	LCL	Montreal	5.92	6.62	70	11.8

(1) The rates quoted are all rail rates to both Brandon and Winnipeg.

(2) These peaches travel under tariff authority CFA 82-G, an all-commodity tariff applicable from Montreal and Toronto only to Winnipeg, Regina, Etc. The \$2.65 is the Winnipeg rate, while the \$3.37 is the rate to Regina used as a maximum on Brandon.

(3) Travel under CFA 82-G (see note (2)).

(4) Agreed charge.

(5) Minimum 80,000 lbs.

(6) If shipped direct the \$2.69 rate applies. However, by transferring the shipment at Winnipeg the rate can be reduced to \$2.20.



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2 The preceding table presents a fairly clear
3 picture of the rail freight rate problems confronting
4 Brandon. In the absence of special conditions, it would
5 be expected that rates to Brandon would range from eight
6 to ten per cent above those to Winnipeg. An examination
7 of the percentage differentials for rates to Brandon
8 and Winnipeg discloses that only seven of the twenty-three
9 rates fall in this approximate range. Obviously there
10 are other factors at work which lead the railways to alter
11 the rate structure to the two destinations.

12 The influence of these special factors can be
13 shown by an examination of some of the individual rates
14 given in the table. The rates applicable on shipments
15 of furniture provide a case in point. For minimum ship-
16 ments of 14,000 pounds, the rate to Winnipeg is \$3.26 as
17 compared with a charge of \$3.54 to Brandon. The Brandon
18 rate is 8.6 per cent higher, roughly about what one would
19 expect. However, for shipments of 26,000 pounds, the
20 situation is drastically changed. The railways introduced
21 tariff CFA 82-G, an all-commodity tariff applicable from
22 Montreal and Toronto only to Winnipeg, Regina and other
23 major centres in the west. Under its terms, the rate to
24 Winnipeg is set at \$2.65, while the rate to Regina is
25 set at \$3.37. Shipments to Brandon travel under this
26 latter rate. As a result of the introduction of this
27 special all-commodity tariff, the rate advantage of
28 Winnipeg over Brandon swings from 28 cents to 72 cents,
29 or from 8.6 per cent of the Winnipeg rate to 27.2 per
30 cent.

31 The standard rate on canned fruit and vegetables



1
2 from Toronto to Winnipeg for shipments of 30,000 pounds
3 is \$2.24 as compared with a Brandon rate of \$2.61. Thus,
4 the standard rates gives the Winnipeg merchant an advan-
5 tage of 37 cents per hundred pounds, or a 16.5 per cent
6 advantage over his Brandon competitor. However, the
7 railways entered into an agreed charge with Winnipeg
8 shippers and set the rate under its terms of \$1.75
9 in return for a guarantee of a certain volume of traffic.
10 This agreed charge lowered the rate from Toronto to
11 Winnipeg 49 cents, while the Brandon rate remained un-
12 changed. As a result, the advantage of the Winnipeg dis-
13 tributor became 86 cents per hundredweight as contrasted
14 with 37 cents prior to the introduction of the agreed
15 charge.
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2 Rates on Shipments to and From the West: Ship-
3 ments from the west are important to wholesalers and re-
4 tailers in the Brandon area, especially those engaged in
5 the lumbering and fruit trades. Shipments to the west
6 are of importance to some Brandon manufacturers.

7 In general terms, the rate structure throughout
8 most of the west on intra-regional shipments conforms to
9 the standard mileage rate structure. In a recent judg-
10 ment, the Board of Transport Commissioners held:

11 "The Board considers that the western Canadian
12 commodity rate structure, while it may be influ-
13 enced by some extent by the American rates from
14 the state of Washington, is part and parcel of
15 the normal commodity freight rate structure
16 voluntarily established by the railways and
17 should be treated as such in evaluating all such
18 commodity rates in relation to the uniform class
19 rate structure prescribed by the Board".

20 Source: JORR, March 16, 1959, p. 612.

21 The class 100 rate from Vancouver to Brandon is
22 \$6.78 as compared with a rate of \$7.44 to Winnipeg. Thus
23 a strict application of the standard mileage scale would
24 mean that Brandon would have a 9.7 per cent advantage
25 over Winnipeg on shipments from the west. The following
26 table shows the theoretical rate differentials for
27 shipments from the west coast:
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29
30



THEORETICAL RATE DIFFERENTIALS, BRANDON VS WINNIPEG, ON SHIPMENTS FROM
VANCOUVER

Class	(Based on Standard Mileage Scale)		Theoretical Brandon Advantages
	To Brandon per 100 lbs.	To Winnipeg per 100 lbs.	
100	\$6.78	\$7.44	.66¢
85	5.76	6.32	.56
70	4.75	5.21	.46
55	3.73	4.09	.36
45	3.05	3.35	.30
40	2.71	2.98	.27
33	2.24	2.46	.22
30	2.03	2.23	.20
27	1.83	2.01	.18

Source: C.N.R., September 2, 1959



The above table shows the theoretical advantage of Brandon over Winnipeg. However, an examination of the actual Brandon rates compared with Winnipeg, on twelve commodities, shown in the following table, reveals that for some commodities rates are lower for shipments to Winnipeg than to Brandon:

RAIL RATES FROM THE WEST TO BRANDON AND WINNIPEG

Commodity	Minimum Weight	From	Rate		Brandon Advantage (#) Disadvantage (-)	
			To Brandon	To Winnipeg	Absolute	Percent-
			per 100 lbs.	per 100 lbs		age
Lumber	50,000	Vancouver	\$1.40	\$1.40(1)	-	-
Plywood	50,000	Vancouver	1.67	1.76(2) 1.45(3)	# 9 - 22	# 5.1 - 15.2
Groceries	CL	Vancouver	2.00	2.00	-	-
Jap Oranges	CL	Vancouver	2.27	2.03	- 24	- 11.8
<u>Interior B.C.</u>						
Lumber	50,000	Castlegar	1.19	1.27	# 8	# 6.3
Plywood	50,000	-	1.42	1.53(2) 1.41(1)	# 11 - 1	# 7.2 - 0.7
Apples	35,000	Kelowna	2.11	1.91	- 20	- 10.5
Soft Fruit	-	Okanagon	2.39	2.24	- 15	- 6.7
Vegetables	-	Okanagon	1.52	1.64	# 12	# 7.3
Potatoes	-	Okanagon	1.38	1.42	# 4	# 2.8
Canned Goods	-	Kelowna	2.10	2.30	# 20	# 8.7

- (1) Via Noyes, Minn.
(2) Via Canadian Route.
(3) Via Noyes, Minn.
(4) Competitive rate.



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2 The first four items cover shipments from
3 Vancouver and are typical of rates applying to shipments
4 from west coast points. The effective rates to Brandon
5 and Winnipeg are identical in two cases, while the rates
6 to Winnipeg are below those to Brandon for the other two
7 commodities. These rate levels are in sharp contrast to
8 the 9.7 per cent advantage which one would expect Brandon
9 to enjoy on shipments from the west coast.

10 Obviously there are special factors operating
11 over this route. Consideration of the rates on plywood
12 from Vancouver is revealing. For shipments of plywood
13 from Vancouver, the rate via Canadian rail carriers is
14 \$1.67 to Brandon and \$1.76 to Winnipeg. This gives the
15 Brandon merchant a 5.1 per cent advantage, roughly in
16 line with what one might expect. However, it is also
17 possible to ship plywood to Winnipeg from Vancouver via
18 Noyes, Minnesota. The rate on plywood from Vancouver to
19 Noyes is \$1.14. Rates from Noyes to Winnipeg are .31
20 cents and to Brandon, .55 cents. Thus the U. S. routing
21 to Winnipeg yields a total rate of \$1.45 or 31 cents below
22 the Canadian rate. The total rate via Noyes to Brandon
23 is \$1.69, or two cents higher than the Canadian rate and
24 is therefore not used.

25 The incidence of American competition therefore
26 reduced the Winnipeg rate by .31 cents and reduces the
27 .9 cents Brandon advantage over Winnipeg to a .22 cents
28 disadvantage. Thus, when an alternate U. S. routing is
29 offered, the Winnipeg rate falls significantly and the
30 freight advantage swings to Winnipeg. Given the alternate
service available by an American carrier, the Canadian



1
2 lines have an effective maximum put on the rates they can
3 charge. The Canadian lines must either cut rates to about
4 the American level or forego the traffic.

5 The other eight listings apply to shipments
6 from interior B. C. In five of these cases, Brandon
7 enjoys advantages over Winnipeg ranging from 2.9 to 8.7
8 per cent. Competition from U. S. routes is not present
9 on shipments from the interior of B. C. and the railways
10 are thus able to apply the standard mileage rate scales
11 giving Brandon the advantages which accrue from its loc-
12 ation.

13 The reason for the Winnipeg advantage on the
14 other three commodities stems from U. S. merchants in
15 Washington and Oregon marketing their products in the
16 Winnipeg area. To meet the competition afforded from
17 U. S. growers of fruits and vegetables, the Canadian rail-
18 ways established special competitive rates to Winnipeg
19 from the Okanagan valley. However, Washington-Oregon mer-
20 chants cannot effectively compete in the Brandon market
21 and the railways were not compelled to establish special
22 tolls to Brandon.

23 In summary, Winnipeg has lower rates than Bran-
24 don on shipments from the west coast due to the possibil-
25 ities of routings via U. S. lines. On shipments from the
26 B. C. interior, the railways are in most cases able to
27 apply the standard mileage scale in calculating rates.
28 Generally speaking, Brandon has lower rates on shipments
29 from the Okanagan region. However, exceptions apply in
30 those instances where the railways are forced to establish
special competitive tolls to meet the prices of firms in



1
2 Washington and Oregon.

3 Freight Rates and Wages: Brandon citizens
4 were shocked last month to learn through a labour dispute
5 that high freight costs, in a highly competitive indus-
6 try, might drive that industry out of Brandon unless
7 the employees were prepared to absorb the largest portion
8 of their transportation costs as a wage differential.
9 Up to this time labour organizations in Brandon had had a
10 reasonably successful history of establishing the
11 principle "that the same wages should be paid for the
12 same type of work, where skill and experience are approx-
13 imately the same, whether the work is performed in a
14 large centre such as greater Winnipeg with a population
15 of about 450,000, or in the city of Brandon with a
16 population of approximately 26,000."

17 I think I would ask at this stage that appendix
18 B on page 26 be included.

19 THE CHAIRMAN: You want it filed as an exhibit?

20 THE WITNESS: No, I want it taken in to the
21 record. It is on page 26, sir. I will also be asking
22 that Appendix B on page 26, Appendix D and Appendix E,
23 on pages 28 and 29, be taken in also. There will be
24 no reference made to Appendix A, and I would like to read
25 Appendix C when I reach it.
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BRANDON FREIGHT RATES BRIEF

APPENDIX B

Port Arthur

Freight Rate	Jan. 2 to Apr. 1	1.81 cwt.	
Volume	Jan. 2 to Apr. 1	878,453 lb.	
Fr. Cost	Jan. 2 to Apr. 1		\$15,900.00

Freight Rate	Apr. 2 to Aug. 8	1.45 cwt.	
Volume	Apr. 2 to Aug. 8	1,006,392 lb.	
Fr. Cost	Apr. 2 to Aug. 8		\$14,592.68

Total Volume			
and Cost	Jan. 2 to Aug. 8	1,884,845 lb.	\$30,492.68

Freight Rate	Winnipeg to	.98 cwt.	
	Port Arthur		
Freight Cost for Equal Volume from Wpg.			\$18,471.48
	1,884,845 x .98		
Difference in Freight Cost			\$12,021.20 \$12,000.00

Carload Shipments Sold f.o.b. Winnipeg

Freight Rate	Brandon to		
	Winnipeg	.35 cwt.	
Volume		298,799 lb.	
Freight Cost			\$ 1,045.80 \$ 1,000.00

Winnipeg Distributive Sales

Freight Rate	Brandon to		
	Winnipeg	.35 cwt.	
Volume		2,002,301 lb.	
Freight Cost			\$ 7,008.54 \$ 7,000.00

Eastern Canada Sales

Average Freight Rate			
from Brandon		2.82½ cwt.	
Average Freight Rate			
from Winnipeg		2.47½ cwt.	
Difference in Rate		.34½ cwt.	
Volume		5,074,000 lbs.	
Difference in Freight			
5,074,000 x .34½			\$17,500.00

Total Volume	9,260,000	
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Cost from Brandon	\$181,700.00	
Cost from Winnipeg	\$144,200.00	
Difference		\$37,500.00

Regular Man Hours to August 8/59	180,415 hrs.	
Extra Freight Cost same period	\$ 37,500.00	

Cost Per Man Hour		20.8 cents
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NOTE: All figures given are for the year 1959.



APPENDIX D

TABLE V

COMPARISON OF RATE CHARGES FOR ADDITIONAL MILEAGE

EAST AND WEST OF WINNIPEG -
MONTREAL BLOCK

<u>From</u>	<u>To</u>	<u>Mileage</u>	Class 100 rate per 100 lbs.	Rate per 1000 Miles
Brandon	Montreal	1488	\$6.54	
Winnipeg	Montreal	<u>1354</u>	<u>6.01</u>	
	Additional	134	.53	\$3.96
Winnipeg	Three Rivers	1433	6.30	
Winnipeg	Montreal	<u>1354</u>	<u>6.01</u>	
	Additional	79	.29	3.67
Winnipeg	Sherbrooke	1452	6.30	
Winnipeg	Montreal	<u>1354</u>	<u>6.01</u>	
	Additional	98	.29	2.96
Winnipeg	Moncton	1779	6.57	
Winnipeg	Montreal	<u>1354</u>	<u>6.01</u>	
	Additional	425	.56	1.32
Winnipeg	Saint John	1799	6.57	
Winnipeg	Montreal	<u>1354</u>	<u>6.01</u>	
	Additional	445	.56	1.26
Winnipeg	Halifax	1967	6.67	
Winnipeg	Montreal	<u>1354</u>	<u>6.01</u>	
	Additional	613	.66	1.08
Winnipeg	Sydney	2120	6.87	
Winnipeg	Montreal	<u>1354</u>	<u>6.01</u>	
	Additional	766	.86	1.12



APPENDIX E

TABLE VI

TABLE SHOWING HOW PRESENT RATE SCALE FAILS TO
GIVE BRANDON FULL BENEFIT OF RATE OF TAPER ON
EASTBOUND TRAFFIC

<u>From</u>	<u>To</u>	<u>Mileage</u>	<u>Class 100 Rate per 100 lbs.</u>	<u>Rate per 1000 Miles</u>
Winnipeg	Montreal	1354	\$6.01	\$4.44
Brandon	Montreal	1488	6.54	4.40
Winnipeg	Three Rivers	1433	6.30	4.40
Brandon	Three Rivers	1567	6.83	4.36
Winnipeg	Sherbrooke	1452	6.30	4.34
Brandon	Sherbrooke	1586	6.83	4.31
Winnipeg	Moncton	1779	6.57	3.69
Brandon	Moncton	1913	7.10	3.71
Winnipeg	Saint John	1799	6.57	3.65
Brandon	Saint John	1933	7.10	3.67
Winnipeg	Halifax	1967	6.67	3.39
Brandon	Halifax	2101	7.20	3.43
Winnipeg	Sydney	2120	6.87	3.24
Brandon	Sydney	2254	7.40	3.28



1
2 Appendix B is a copy of a table submitted by
3 management to this board of conciliation investigating
4 this dispute. We are informed that the figures shown in
5 this table were unchallenged and were accepted by the
6 board as correct. These figures show the total freight
7 charges that must be paid before this industry can deliver
8 their products to Winnipeg, a point where the freight
9 costs for onward distribution become equal with those
10 of its competitors.

11 In its submission to the board of conciliation,
12 the company said it "must absorb the freight differential
13 between Winnipeg and Brandon on almost 90 per cent of
14 its production. This freight rate differential converted
15 into cents per man-hour amounts to 20.8 cents per man-
16 hour worked -- For us to be competitive (with our major
17 competitors) in Winnipeg, assuming that all other con-
18 ditions are equal, our wage differential between (our
19 major Winnipeg competitors) for similar work performed
20 must be at least 20.8 cents per less than what (our
21 major competitors) pay in Winnipeg."

22 Obviously the board of conciliation recognized
23 and, at least in part, accepted this argument for they
24 state in their report that "It is generally admitted
25 that decentralization in industry is desirable, provided
26 the additional cost is not too great. Localizing of
27 industry will in many instances involve various types of
28 handicaps. The degree of handicap will often vary with
29 the relative weight of the commodity produced in relation
30 to transportation costs." Later in their report they
31 obviously recognize the handicap of high transportation



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2 costs for they say "To compensate for the handicap (of
3 decentralization), the main element of which is the cost
4 of transportation, all concerned must be willing to assume
5 a fair shareTranslated into actual practice this
6 may call for a sacrifice of dividends and holding the
7 line in regard to salaries and wages."

8 To state it simply, the employees of this par-
9 ticular industry are being asked to absorb the major
10 share of additional transportation costs while, as con-
11 sumers, they must pay more for most consumer goods
12 they purchase. In order that we may resist this trend
13 to the utmost, we strongly urge that a national transport-
14 ation policy be adopted that will minimize the differ-
15 ential rate through the various areas of the country.

16 THE CHAIRMAN: Was the board's report unanimous?

17 THE WITNESS: No, sir, it was a majority report
18 with one dissent.

19 Interswitching in Urban Areas: With the
20 growth of urban areas, particularly since 1945, switching
21 rules have remained virtually unchanged and have been, for
22 some considerable time, most inadequate.

23 Industry now tends to locate on the outskirts
24 of communities rather than in their heart. As a result,
25 most industries locate outside the four-mile switching
26 limit now in effect.

27 While the results of such an out-of-date rule
28 places a burden on larger communities, it also affects
29 smaller urban centres where improvements in the present
30 switching facilities await a change in the existing rule.
This, for example, is true of the city of Brandon, where a



1
2 limit of at least eight miles is now necessary.

3 A number of suggestions have been put forward
4 from time to time as to how the rule might be changed.
5 No solution to the problem has yet been reached. This
6 problem becomes increasingly serious year by year.
7 It is therefore respectfully submitted that this Commiss-
8 ion make a careful study of the problem with a view to
9 establishing a method of handling interswitching in a
10 manner suited to present-day needs and present-day con-
11 ditions.

12 Income From Subsidiary Business: We wish to
13 refer now to the specific term of reference of the
14 Commission that "whether, and to what extent, the Railway
15 Act should specify what assets and earnings of railway
16 companies in businesses and investments other than railways
17 should be taken into account in establishing freight
18 rates."

19 It is the view of the city of Brandon and the
20 Brandon Chamber of Commerce that this is a matter of great
21 importance with respect to freight rate policy. We
22 therefore respectfully request that the Commission under-
23 take a full examination of this matter.

24 "In Transit" Privileges: "In transit privil-
25 eges" have for some considerable time been granted by the
26 railways but to a limited extent. This allows for the
27 stop-over of certain traffic, usually of bulk commodities,
28 for storage or processing before being transported on-
29 ward to its ultimate destination. By this means the rail-
30 ways retain the outbound movement of processed goods
which they brought in as raw materials.



Truck competition for freight traffic has been directed mainly to the transportation of manufactured or processed goods outbound from the factory. It would appear that the railways have been successful in controlling the movement of those commodities to which these privileges have been extended. It seems logical to assume, therefore, that this is a field in which additional traffic could be attracted if "in transit privileges" were extended to other commodities. To explore this avenue even further, we would recommend that the possibility of warehousing some commodities "in transit" be considered.

For emphasis there is a little repetition here dealing with paragraphs 40, 41 and 42, and we are again making our statement on horizontal freight increases.

Horizontal Percentage Rate Increases: The present practice of the Board of Transport Commissioners in awarding rate increases by way of horizontal percentage increases is one of the major inequities that quality for investigation under clause (a) of the terms of reference of this Commission. Certainly this practice has operated to the disadvantage of Brandon. This is not a new problem. It has existed for some considerable time.

THE CHAIRMAN: We have heard of it from St. John's, Newfoundland, to Winnipeg now, and we still have Mr. Sinclair saying that it is not an inequity, so we will have the pleasure of determining that later.

MR. SINCLAIR: I hope by singling me out that you are not suggesting that I am the only one?



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2 THE CHAIRMAN: Oh, no, Mr. McDonald joins you,
3 I think.

4 MR. SINCLAIR: And possibly shippers as well
5 on certain types of commodities.

6 THE WITNESS: It is, however, of major concern
7 to Brandon, as it aggravates the disadvantage already
8 suffered by long-haul shippers and it worsens the com-
9 petitive position of manufacturers subject to long haul,
10 especially when they have to bring materials in for
11 fabrication.

12 Brandon suffers from lack of competition for
13 their freight traffic and these "horizontal" increases
14 have been put into full effect there because of its
15 relatively non-competitive position, while no increase has
16 been put into effect in the highly competitive areas of
17 the country. Each "horizontal" increase has, therefore,
18 tended to accentuate Brandon's disparity and this, we
19 feel, is contrary to national policy.

20 Competitive Rates: In the main, Brandon has
21 received practically no benefit from competitive freight
22 rates. In fact, competitive rates have increased rather
23 than diminished the sectional disparity from which it
24 suffers. It seems fair to assume that competitive rail
25 freight rates are rates at which goods can be carried
26 with some degree of profit to the carrier. It should,
27 therefore, follow without argument that these goods can
28 be carried a shorter distance at no greater cost to the
29 carrier. If this statement is accepted, then there can be
30 no justification for not passing on to Brandon shippers or
consignees the benefit of at least the same competitive



1
2 rates where Brandon is an intermediate point. Indeed,
3 a national policy that would minimize the differential
4 rate between various regions of Canada would establish
5 an even lower rate at the intermediate point and Brandon
6 would obtain a large measure of equitable relief.

7 Perhaps we are being naive in hoping that one
8 need only bring these discrepancies in rail freight charges
9 to the attention of the rail carriers and they will cor-
10 rect them. Some fifteen months ago, a carload of
11 Japanese oranges was being transported from the west coast
12 to Winnipeg by rail when it (the box car) suffered some
13 mechanical disability which required that it be stopped
14 in Brandon for repair. Brandon wholesalers were asked,
15 presumably as part of a salvage operation, to take
16 delivery of these oranges, which they did. Expecting
17 that they would only have to pay the original (Winnipeg)
18 freight charges, they were understandably upset when they
19 were billed for the excess rail freight charges called
20 for by the tariff charges to Brandon at that time. This
21 has since been corrected without any particular pressure
22 on the railways except to make this public knowledge and
23 Table IV on page 15 should now show that the same rate
24 for carload lots of Japanese oranges is charged from
25 Vancouver to Brandon as that charged from Vancouver to
26 Winnipeg.

27 The Japanese orange illustration indicates that
28 the principle that goods carried over a shorter distance
29 should not pay a greater amount than those goods would
30 pay over a longer distance has been accepted by the rail
31 carrier. It is respectfully submitted that there should



1
2 be no need for shippers or consignees to protest against
3 higher freight charges for shorter mileage hauls, but
4 rather that this should become accepted national policy.

5 Rail freight charges should be related to cost
6 of service and the longer the distance, the less the cost
7 per mile should be. That this is not always the case is
8 graphically shown in Appendix D, Table V on page 28
9 In addition, Table VI in Appendix E on page 29,
10 shows how the present rate scale fails to give Brandon
11 the full benefit of the rate of taper principle on
12 eastbound traffic. If the rate of taper principle were
13 strictly adhered to, then Brandon would have a rate only
14 some 14 cents higher than Winnipeg on westbound traffic
15 instead of 53 cents, a whopping 75 per cent reduction.

16 Freight Rates and Industrial Development:

17 The Brandon Chamber of Commerce and the city of Brandon,
18 working closely together, are actively engaged in an
19 aggressive program to attract new industry to Brandon and,
20 at the same time, they are taking those steps that are
21 available to them to help existing industries expand.
22 The Manitoba department of industry and commerce is also
23 actively engaged in an aggressive program to attract
24 industry to Manitoba and Brandon hopes to gain some direct
25 benefit from that program. However, the more favourable
26 rail freight rates available in Winnipeg are a major
27 influencing factor in directing most industries to est-
28 ablish there instead of in other parts of the province.
29 This tends to make Manitoba a one-city province, a fact
30 that is viewed with some alarm by many of our Winnipeg
31 friends AS WELL AS OURSELVES.



1
2 Less than three weeks ago, the Department of
3 Industry and Commerce launched a program of regional
4 development for Manitoba. This program has the hearty
5 approval of all supporters of industrial decentralization
6 as it is intended to promote the growth and development
7 of the province as a whole. The lead editorial in the
8 January 26 edition of the Brandon "Daily Sun", the
9 concluding two paragraphs of which are reproduced in
10 Appendix "C" of this submission, discusses the handicap
11 of Brandon's rail freight rate structure as it reacts to
12 Brandon's locational disadvantage.

13 "The chief reason why little change can be
14 expected in this trend (new industrial plants naturally
15 gravitating towards Winnipeg) is the freight rate structure
16 which discriminates heavily against all other parts of
17 the province. No prospective new industry seeking loc-
18 ation in Manitoba can be expected to disregard this
19 unfair burden. For no industrial enterprise aspiring to
20 market its products on a broader than purely local basis
21 can be asked to accept an in-built higher cost factor
22 merely to please the planners' desire for decentraliz-
23 ation or to provide a selected community far from major
24 markets with fresh employment opportunities and new
25 sources of taxation. To break this major barrier to any
26 meaningful planning of industrial decentralization, the
27 government would therefore have first to equalize the
28 present discriminatory freight rate structure throughout
29 the province and, perhaps, even offer more favourable rates
30 where other incentives are lacking.

31 "Before this elementary step toward equalization



1
2 of chances of the "underdeveloped" parts of the province
3 is taken, it is difficult to get really excited about the
4 finest speeches and schemes for industrial decentral-
5 ization. They are, of course, welcome, for they show that
6 the government - apart from its earnest and excellent
7 effort in opening up and developing the mineral resources
8 of the north - is aware of the top-heavy economic picture
9 of the province and is toying with the idea of doing
10 something about it. But as always, foundations come before
11 the roof, and the foundation of any realistic decentral-
12 ization effort undoubtedly is the freight rate structure.
13 Unless this thorny spadework is done and done soon, the
14 bulk of the expected industrial development in Manitoba,
15 within the next two decades of which Mr. Evans spoke so
16 glowingly, will again be grabbed by the Winnipeg area
17 while large regions of the province will be sentenced
18 to stagnation and decay."

17 That is the end of the quotation, and I want to
18 assure my Winnipeg friends, Mr. Chairman, that this is
19 not the start of a "hate Winnipeg" campaign.

20 This is a real impediment to decentralization
21 of industry in the province of Manitoba, and more specifi-
22 cally, a retarding factor in Brandon's industrial growth
23 and development. A national policy that would establish
24 minimum differential rates throughout the different areas
25 of our country would diminish the sectional disparity that
26 past freight rate increases have encouraged and would
27 thereby remove a major obstacle to normal and natural
28 progress.

28 All of which is respectfully submitted on behalf
29 of the Brandon Chamber of Commerce and the city of
30 Brandon, Manitoba.



CROSS-EXAMINATION BY MR. COOPER:

Q. I will be very brief due to the lateness of the hour. In fact, all the matters are covered in your brief. How long have you occupied the position of Commissioner and Secretary Manager of the Brandon Chamber of Commerce?

A. Since the 1st of April, 1958 -- longer than that, two years.

Q. Can you tell the Commission whether or not you have lost any industries from Brandon because of the freight rate structure?

A. We feel that one of the things that have contributed to the -- I will stop here for a moment just to make sure that I understand this particular question. You used the words "freight rate structure", and there is one point, that freight making policy has lost something and freight rates themselves have lost something else, and I am asking what you mean when you say that freight rates have lost?

Q. Grain freight rates, generally?

A. Yes. I think the easiest one to take at the moment are certain wholesale houses that have closed up and are now operating from Winnipeg and distributing into this area. These names are available, if need be, and then I can think of another one, which is the water softener people that are referred to here. I suppose I could say that we are in imminent danger of losing them because they



1 are now shipping from Brandon to Winnipeg, and we have
2 got the advantage of certain pool car arrangements
3 for the western market which they are serving, but
4 we are a little worried that they might go. However,
5 we have been worried for a few months and they haven't
6 gone yet.

7 Q. You have attracted new industries to
8 Brandon since you have been Mayor?

9 A. I can't think of a single one that I
10 have attracted in the two years I have been there.

11 Q. What about a few years before that?

12 A. We were fairly successful up to about
13 1956, and there has been a good degree of commercial
14 activity and expansion, and I hate to say this, but I
15 don't think that I have attracted very much in the two
16 years I have been here.

17 There has been growth in some of our present
18 industries, that must be acknowledged.

19 Q. Do any of the industries there in
20 shipping their products out of Brandon enjoy agreed
21 charges?

22 A. Some do; some of the companies have
23 entered into agreed charge agreements, and I am advised
24 that their many problems in that respect are taken
25 care of.

26 Q. Do you know of any others that may
27 be entering into agreed charges in the future? In
28 other words, the number of agreed charges are increasing
29 with respect to industries in Brandon?

30 A. We haven't got enough industries in that



1 category to say that it would be very much.

2 Q. What about truck transport there, do
3 any industries use trucks in shipping their products?

4 A. We are fairly well served by trucking.
5 We were a little disappointed in their contribution,
6 and we agitated and the trucking position has improved,
7 but it has improved basically on hauls to the east.
8 Hauls to the west are not attractive to truckers and
9 we are not receiving any particular concession there.

10 Q. Would you say that there is active
11 trucking competition, then, in Brandon, at least
12 insofar as moves to the east are concerned?

13 A. Yes, I would say that.

14 Q. You mention on page 5, paragraph 23,
15 in the agricultural implements supplies category,
16 that includes truck bodies and accessories, are now
17 being manufactured in Brandon by two firms. Are
18 agricultural implements generally being manufactured
19 there, or only the truck bodies and accessories which
20 you mentioned and which are included in that category?

21 A. Only the truck bodies. There was
22 one question you asked me -- and I don't want to
23 volunteer any information -- but you asked me if I
24 had lost anything, and we have lost substantially
25 one type of industry through the intransient privileges
26 that have been accorded to our department, and that is
27 the instrument companies have moved out to Winnipeg,
28 and they told us, themselves, that basically the main
29 reason was because they obtained in-transit privileges
30 if they were located in Winnipeg. We have lost



1 them all in the last four or five years.

2 Q. Do you have any advantages insofar as
3 costs are concerned, and when I say "costs", I am
4 thinking particularly of labour? Is labour at
5 a lower rate in Brandon than in Winnipeg? I know
6 you said in your brief that you strive to observe the
7 principle of equal pay for equal work, whether in
8 Brandon or Winnipeg, but, in fact, is there a wage
9 differential?

10 A. ^Do you mean by that a statutory
11 differential or an average differential?

12 Q. An average?

13 A. There is an average differential.
14 There isn't the same competition for the labour, and
15 the average rates paid in Brandon are less than
16 Winnipeg.

17 Q. That would compensate you at least
18 for differences in freight charges?

19 A. Yes, we are compensated to a slight
20 degree in those fields, but basically we are negotiating
21 with some industries we hope to attract, even if we
22 haven't done anything under my term, and they have
23 goods of practically no weight and of a high labour
24 content. The point I am trying to stress is that
25 if there is a high weight factor, we could pretty
26 well forget about bringing them to Brandon at the
27 present time.

28
29 CROSS-EXAMINATION BY MR. DICKSON:

30 Q. Mr. Bergman, in spite of that rather



1 unkind remark about Winnipeg grabbing the industrial
2 development, I would like very much to congratulate
3 you and those associated with you in the production
4 of this first class brief, which is most persuasive.

5 There are two points to which I would like
6 to refer very briefly: One, in your paragraph 42,
7 and I take it your proposal is akin to that of the
8 province -- your alternative to a horizontal increase,
9 namely, either a flat cents per hundred, or, failing
10 this, a combination of the relatively smaller
11 increase plus a cents per hundred pounds increase?

12 A. Yes, we mean to associate ourselves.
13 We reached this conclusion by ourselves, and didn't
14 elaborate because we felt it would be expounded more
15 fully by other witnesses. We had in mind the same
16 thing as the Premier had in his comments on Monday.

17 Q. On page 20, when you refer to income
18 from subsidiary businesses, I take it that the
19 Chamber of Commerce and the City have not reached
20 any conclusion on that particular term of reference,
21 but simply underline its importance as something for
22 study; is that correct?

23 A. Yes, I think we felt, frankly, that
24 we didn't know enough about the situation to make
25 a specific recommendation, and we felt it would be
26 more fully developed by others more competent to give
27 information to the Commission.

28
29 CROSS-EXAMINATION BY MR. HUME:

30 Q. On page 21 you indicate the lack of



1 competition, and you have discussed it with Mr. Cooper,
2 but I had in front of me the ship-by-truck guide of
3 this province, and in a quick calculation I could
4 count nearly 200 municipalities that have a direct
5 service by licensed carriers, and may I just underscore
6 what you said before that Brandon seems to be
7 reasonably well served by highway transport?

8 A. You will have to break that down a little
9 further. We are served by lots of people who
10 are licensed.

11 Q. Yes.

12 A. And we found it necessary -- and this
13 is on the shorter haul, and I could develop a few
14 thoughts on the long haul and short haul, but we have
15 associated ourselves in the past year with two
16 applications for the railroads -- in particular,
17 Canadian Pacific Express -- where they wanted to
18 obtain a licence and serve the southern and western
19 part of the province, and also link us up with the
20 west. We associated ourselves with that and
21 supported it, because in spite of the shortage of
22 short haulers we felt we were not getting the service
23 from the number of licenses. The situation in
24 the last year has improved, and the resulting increased
25 service by Canadian Pacific Express, itself, improved.
26 However, remember this fundamental fact about truck
27 service: The trucks going out of Winnipeg to
28 Regina, Saskatoon, Calgary and Edmonton want to load
29 up a full load in Winnipeg and not leave with half a
30 load merely to pick up in Brandon and carry on.



1 Trucks can get a bigger load in Winnipeg, so we don't
2 seem to attract people to service us, and our main
3 complaint, which is important, is we feel that many
4 freight solicitors, both of the short hauls and long
5 hauls, did not greatly appreciate the fact that
6 Brandon existed. The fact that you have got lots
7 of people licensed does not mean you have got lots
8 of service.

9 Q. In paragraph 77 you speak of horizontal
10 increases, and your words are, "Brandon suffers from
11 lack of competition for the freight traffic and these
12 'horizontal' increases have been put into full effect
13 there...": Do you mean that you have no competitive
14 rates and no agreed charges, that the full horizontal
15 increase goes into effect in Brandon without any
16 rollback or cutback?

17 A. In almost every instance.

18 Q. In the rest of the sentence you say,
19 "...while no increase has been put into effect in the
20 highly competitive areas...": Are you thinking of
21 eastern Canada -- Ontario and Quebec?

22 A. When I refer to that, I am referring
23 to eastern Canada, yes.

24 Q. You were here this afternoon when I read
25 the figures which Mr. Knowles gave to the Parliamentary
26 Committee, that of the recent increase $26\frac{1}{2}$ per cent of
27 that was applied in eastern Canada -- in Ontario and
28 Quebec?

29 A. I am going to take your word for it
30 because I am not an expert. This is a new field to



1 me, but I would point out from the standpoint of the
2 Winnipeg-Brandon traffic we have only two truckers
3 giving service at the present time.

4 Q. This is my last question: I understand
5 that before you took your present position you were
6 associated with a trucking company and you know
7 something about the industry in this province?

8 A. I know a little bit.

9 Q. This is purely a matter of assistance
10 to the Commission: Isn't it so that in this province,
11 while the railways can put in a competitive rate without
12 any formality, a trucking company cannot put in a
13 competitive rate without getting permission from the
14 local Board and having a hearing?

15 A. That is correct, as long as it is
16 intra-provincial highway traffic.

17 Q. I am thinking of Winnipeg and Brandon:
18 The railways could put it in over night, so to speak,
19 without any formality, and the trucks have to have a
20 hearing, and it takes about a month for a hearing?

21 A. The service is fairly good, but they
22 have to get permission.

23
24 CROSS-EXAMINATION BY MR. McDONALD:

25 Q. On page 13 you refer to tariff CFA82-G --
26 "an all-commodity tariff applicable from Montreal and
27 Toronto only to Winnipeg, Regina and other major
28 centres in the west." Did you ever take that
29 question up with the traffic department of the Canadian
30 National in Winnipeg to see if you could have it applied



1 to Brandon?

2 A. No, I must advise you that I have only
3 gathered material and sought information to put
4 together in the brief. I have taken no steps.

5 Q. I would suggest that you take it up with
6 the traffic department of the Canadian National?

7 A. I might say they have been helpful
8 on other occasions to try and correct certain things.

9 Q. There is another question I have been
10 asked to ask you: Are there any truck movements
11 from the east through Chicago to Brandon?

12 A. No direct -- to my knowledge, none
13 direct. It would have to be an inter-line.

14 MR. HUME: Pacific Inland Express has
15 a licence from Brandon to Metropolitan Toronto.

16 THE WITNESS: I could not have understood
17 your question, Mr. McDonald. I thought you were
18 talking about Chicago.

19 MR. McDONALD: Q. Through Chicago --
20 say, from Ontario through Chicago?

21 A. I am not sure what licenses Pacific
22 Inland Express have.

23 Q. You don't know whether there are any
24 or not?

25 A. Pacific Inland have from Toronto.

26 Q. Do they go via Chicago?

27 A. They make a connection through Michigan.

28 MR. McDONALD: I think that is all.
29
30



CROSS-EXAMINATION BY MR SINCLAIR:

Q. I do say I think this brief indicates a substantial amount of work by yourself, and I join with Mr. Dickson in saying that I think you are to be complimented on it.

In your introduction -- and this is a matter you referred to again a few minutes ago -- you said that no industry with a high weight content in its shipments would locate in the smaller cities or the smaller centres. Now, I have in mind two industries in Manitoba that would have the high weight content in their shipments: Campbell Soups, and they are located at Portage La Prairie; and the other one I have in mind would be the Co-op at Altona. Now, they are two industries that have located in smaller centres to take advantage of particular advantages that some smaller centres provide. Did you know of those industries in Manitoba?

A. Yes.

Q. And it may be that Brandon, as its economy changes, will develop certain particular advantages and would offset this troubled situation that you have told us about where Winnipeg has such a tremendous advantage in freight rates. This was a little new after having listened to some people from Winnipeg for so long, but that is a possibility, that with changes in the economy and development of new types of crops and things like that, the high weight content is not the determining factor but, rather, what



which

1 the soil produces, and matters of that kind,/often
2 determine the placement of industry?

3 A. There are many factors like that.

4 Q. Freight rates is only one?

5 A. Freight rates, in many instances, is
6 only one of many.

7 Q. On this matter of horizontal increases,
8 as you were told by the chairman, there are some
9 people that think they are not as bad as they are
10 painted, and there are some people who believe it is
11 their duty to speak for all shippers, short haul and
12 long haul. For instance, if you were a shipper
13 in Brandon and moving your goods to Estavan, and the
14 proposal of cents per one hundred pounds and 5 per cent,
15 we will say, was to take the place of the straight
16 percentage increase, we will say, of 8 per cent,
17 you would bear a greater disadvantage than would the
18 shipper from Winnipeg; you would have a bigger increase
19 than if a straight percentage increase was applied?

20 A. I don't know whether it is too late
21 for me, but I just didn't get that. I know this,
22 and I do want to assure you I would like to answer
23 every question I possibly can, but there are some
24 phases, which I imagine would operate to the detriment
25 in certain instances, and this appears to be, to us,
26 the most logical solution to our problem that has yet
27 been submitted.

28 Q. And you have considered all your traffic
29 movements -- or, have you just considered some of your
30 traffic movements?



1 A. We have considered, I would think, a
2 great majority our problem.

3 Q. If you were shifting short haul, if
4 you were an Estavan shipper shipping to Brandon and
5 competing with a Drumheller shipper shipping to Brandon,
6 then the situation would be one in which percentage
7 increases would be the method you would expect them
8 to support, wouldn't it?

9 A. Well, the approach we are trying to
10 make because we are new in this business is the fact
11 we want to suggest something that cannot be interpreted
12 as being greedy for us, but something that would
13 improve the situation to the benefit of everybody.
14 We feel there is going to be some disadvantage, and
15 I can only speak of a principle.

16 Q. There is going to be some disadvantage,
17 and with the information you have you feel that the
18 50-50 suggestion of the Premier of Manitoba seems
19 to assist Brandon?

20 A. I am fairly convinced that is the most
21 acceptable solution available yet.

22 Q. Had you in your considerations thought
23 of graduated increases -- percentage increases graduated
24 in respect of distance?

25 A. No, we hadn't.

26 Q. I think it is one explanation that
27 comes out of the labour case. Am I understanding
28 this correctly, that what was involved here is a
29 processor or a manufacturer located in Brandon who
30 was bringing in raw material or some manufactured goods



1 from the east and competing with the Winnipeg manufacturer
2 for the sale in Winnipeg ---

3 A. No.

4 Q. Or shipping back to the east?

5 A. I think maybe I can be of help if I
6 try and clear it up. We are not arguing or making
7 a submission so much on this particular differential.
8 We are trying to show that here is a new, alarming
9 trend where, let us say, the excuse of transportation
10 has been partly used for a wage differential. We
11 are suggesting that the newness of this is alarming,
12 and if this is something the Commission runs into
13 in other areas or circumstances, or if it is an
14 established fact, then it is an alarming fact and
15 we feel it would be helpful to you in your studies.
16 The other thing is that in this particular case there
17 is a high factor for them to pay to get the goods from
18 Brandon to Winnipeg.

19 Q. Canadian Pacific Express have provided
20 trucking services ranging out from Brandon for a good
21 many years?

22 A. They started in a limited fashion, and
23 they are now growing, and they are giving each year,
24 it seems to me, or periodically, their service is
25 increasing. They are now giving service to a
26 number of Manitoba areas.

27 Q. And the Brandon merchants and businessmen
28 were anxious to have them provide this service and
29 to get the benefits of the integration that flows from
30 using truckers?



1 A. I have got to answer it on a broad
2 basis, and if I haven't covered it, then you can ask
3 me something on a more limited basis. This is a
4 two way street, because two things happen in this
5 area, to my knowledge. There was an abandonment
6 of some -- I don't mean a complete abandonment, but
7 there was a curtailment of service by rail in many
8 of these areas. That brought a need for additional
9 or substituted service of a nature, and some truckers
10 went in, and in some areas the Canadian Pacific Express
11 went in, and the more recent application, as I recall
12 it, that we supported Canadian Pacific Express on,
13 was for them to get back service they had either
14 discontinued or curtailed before.

15 Q. Notwithstanding the fact that there
16 were existing licensed truckers, as you have said,
17 it was felt necessary by the businessmen to have some
18 competition by the railway for those licnesed truckers?

19 A. Well, I think I can say it even more
20 advantageously to you, by saying there was a need
21 for that adequate service, and the shippers in the
22 area -- many of them supported your application --
23 I should say the Canadian Pacific Express application --
24 quite strongly.

25 Q. One final point, on page 22 paragraph 81,
26 you are not suggesting, are you, Mr. Bergman, that
27 freight rates should be fixed on cost alone?

28 A. No, sir. I think that is a very im-
29 portant factor and it should be related as closely
30 as possible to it.



1 Q. You would agree ---

2 A. I am always afraid of your questions
3 when you start them off, "Would you agree?"

4 Q. Well, let me put it this way: You would
5 not disagree that all traffic should bear its variable
6 cost and some contribution in excess thereof?

7 A. I am afraid I haven't got the knowledge
8 to answer that question intelligently or properly.

9 MR. SINCLAIR: Thank you very much.

10

11 EXAMINATION BY MR. MAURO:

12

13 Q. Could I just be of assistance to the
14 Commission: As I understand the very excellent
15 work that your group has prepared, Brandon in common
16 with other small centres in the Province of Manitoba is
17 indicating an increased diversification of activity,
18 and though it may be slow and at a differing degree,
19 there is this diversification in the small centres
20 of Manitoba?

21

22 A. There is a very active attempt to get
23 more diversification. Does that answer it
24 satisfactorily?

25

26 Q. Yes.

27

28 A. We haven't seen as many results yet
29 as we would like to, but we are quite confident that
30 some of the things we are looking for will develop.

31

32 Q. And it is the position of the Brandon
33 Chamber of Commerce and the City of Brandon that
34 the present freight rate structure impedes this
35 development; is that the purport?

36



1 A. Yes, and you are using the same
2 word we used; it does "impede".

3 Q. And in your supporting the submission
4 of the Province of Manitoba on this suggested new
5 approach to rate making, you do that knowing that
6 it is bound to have an effect on the short haul shipper
7 and, in fact, that is the purpose of it -- to shift
8 a little bit of the burden to the short haul shipper,
9 but in the balance it will be an equitable method
10 that should result in benefits to small centres such
11 as Brandon?

12 A. I agree.

13 Q. And you, of course, might have considered
14 that under any graduated type of increase, as suggested
15 by my learned friend Mr. Sinclair, you might find
16 yourself in the intolerable position that if the
17 line happened to fall three miles west of Brandon,
18 and there was reduction, you might find yourself
19 paying a higher rate than a location one or two
20 miles further west?

21 A. We realize that, but I still have to be
22 fair. We know about that disadvantage, but not
23 enough about it for me to add anything further than
24 I made in my first answer.

25 COMMISSIONER GOBEIL: I would just like
26 to offer you my congratulations, Mr. Bergman.

27 MR. MANN: You will agree that a lot
28 of work went into this submission, won't you, Mr.
29 Bergman?

30 THE WITNESS: Nobody knows it better than

the first of the year.

The first of the year.

The first of the year.

The first of the year.

The first of the year.

The first of the year.

The first of the year.

The first of the year.

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The first of the year.

The first of the year.

The first of the year.

The first of the year.



1 I do.

2 MR. MANN: Certainly my colleagues and
3 I will review this very carefully. There is a
4 wealth of detail in here and we will certainly go
5 over it very thoroughly.

6
7 BY COMMISSIONER PLATT:

8 Q. Some of the problems you raise interest
9 me very greatly, particularly the de-centralization
10 of industry in western Canada or, indeed, in Canada
11 as a whole, and you have raised some of the problems
12 concerned with this, and I think we will both agree
13 that transportation is only one of many problems
14 involved in this particular thing. Don't you think
15 that in spite of the disadvantages that you have raised
16 that there is no real possibility for developing
17 this without certain sacrifices being made at the
18 local level in order to allow industry to develop?
19 For example, you mentioned wages, and that your people
20 had to take a reduction in wages in order for them
21 to remain in business. The reductions seemed, to
22 me, to be a very hefty one, but, nevertheless, the
23 differential -- they are not all bad -- and I am not
24 speaking facetiously, but as an ordinary person.

25 A. I don't think anybody in our delegation
26 will argue with that statement.

27 Q. There are advantages in a small
28 community in many ways?

29 A. I think transportation costs are a
30 major factor in some, and perhaps a relatively minor one





1 in some others.

2 Q. In regard to horizontal rate increases,
3 isn't a great deal of the fear of people in the
4 manufacturing business due to the fact that we have
5 had horizontal increases in the last few years of
6 some umpteen per cent, and that if we could see in
7 the future where the freight rate increases were going
8 to be of much less magnitude than they have been in
9 recent years, much of the fear of manufacturers would
10 disappear?

11 A. I think our alarm must be described
12 as saying that the horizontal increases have brought
13 us to the saturation point as far as our city is
14 concerned; that there are too many times when these
15 costs are a factor, and there are too many industries
16 that rightly or wrongly we feel we are denied soliciting
17 because of a particular factor in these costs.
18 I think the time has come that there should be some
19 type of levelling off to see if a more equitable
20 solution can be arrived at.

21 Q. Looking into it for the next couple of
22 years, you might well think we are due for another
23 hike, and if there is going to be a, say, 30 per cent
24 hike, then I am a great deal safer in Winnipeg than
25 in Brandon, but if in the next year or so you are
26 expecting there might be a 5 per cent hike, this
27 would not worry me nearly as much?

28 A. Well, everything is relative. We
29 would not worry any more about that than the difference
30 between a five per cent increase in income tax as



1 against a thirty per cent increase. We feel the
2 one a lot more than the other.

3 MR. PLATT: Well, thank you very much.
4 I think you have raised some very important questions.

5 THE CHAIRMAN: Thank you, Mr. Bergman.

6 THE WITNESS: We appreciate your
7 courtesy sir, and the opportunity of appearing before
8 this Commission, and also the courtesy of counsel.

9 THE CHAIRMAN: We will adjourn now until
10 2:15 tomorrow.

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12 ---Adjournment.

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